

Austria	Sch22	Indonesia	Rp100	Portugal	Esc100
Bahamas	Dm1.50	Israel	NIS3.50	S. Arabia	Riy1.00
Belgium	Bf45	Italy	L1,000	Singapore	S\$1.00
Canada	C\$1.00	Japan	Y100	Spain	Ptas166.67
Ceylon	C\$1.75	Jordan	Jds1.00	Sri Lanka	Rps30
Dominican	D\$2.00	Kuwait	KWD1.00	Sweden	Skr4.60
Egypt	E£2.25	Lebanon	L£1,200	Switzerland	Sfr7.20
Finland	Fmk1.00	Malaysia	RM1.00	Taiwan	N\$1.00
France	FFr5.00	Mexico	Ps20.00	Thailand	Thb10.00
Germany	DM2.00	Norway	Nkr4.00	Turkey	Liras1.00
Greece	Dr100	Peru	S/100	UAE	Dhs2.00
Hong Kong	HK\$1.00	Netherlands	Fl.1.00	USA	\$1.00
India	Rs1.00	Norway	Nkr4.00	USA	\$1.00

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,372

Monday October 26 1987

D 8523 A

Nicaragua: A time for hands across the border, Page 5

## World News

## Business Summary

### Jaffna main roads in army hands, India says

Indian army commanders say they have gained control of almost all main roads in Jaffna, Sri Lanka, from Tamil Tiger rebels after 17 days of fighting. This ends the 'Tigers' three-year domination of the city, but the army still faces snipers, booby traps and mines. Page 22

### Gatt funds running out

Gatt, international organisation governing world trade, is running out of funds and its director-general has called a special Gatt council meeting to seek authority to raise a bank overdraft. Page 6

### Italy air strikes

Delays and cancelled flights plagued Rome's Leonardo da Vinci international airport as a series of strikes continued to make life difficult for air travellers in Italy. Page 6

### Yugoslav riot

Anti-riot police have been sent to Yugoslavia's troubled Kosovo Province as tension grows between the area's Albanian ethnic majority and minority Serbs. Page 6

### Refusenik to leave

Soviet Jewish dissident Vladimir Slepak, granted permission to emigrate to Israel after waiting 17 years for an exit visa, was due to fly to Vienna today with his wife Maria. Page 6

### Tel Aviv bombs

Two bombs - one placed outside an apartment block and the other at a bus stop - exploded in suburbs of Tel Aviv but caused no casualties. Page 6

### Demjanjuk trial

The Nazi war crimes trial of retired US car worker John Demjanjuk, 67 - charged with killing Jews at the Treblinka concentration camp - resumes today after a two-month break caused by one of the judges suffering a heart attack. Page 6

### Jordan work permits

Jordan will stop issuing work permits to foreigners after the end of the year to alleviate its unemployment problem, said Mr Khalid Haj Hassan, Labour Minister. Page 6

### Pakistan uranium

President Zia-ul-Haq's administration now believes Pakistan is producing uranium of the grade needed for a nuclear bomb but is still determined to fight a move in Congress to cancel \$4bn of US aid. Page 3

### S Korean students riot

Riot police re-appeared on South Korean streets at the weekend to confront students engaged in the campaign to elect a new president under democratic reforms introduced last June. Page 4

### Typhoon hits Taiwan

At least 26 people died and eight others were missing after Typhoon Lynn battered Taiwan, triggering landslides and heavy flooding. Page 4

### Japan human chain

More than 2,700 people protested against night landing practice by US military planes at an air base in southwestern Japan by forming a human chain along the base. Page 4

### Zimbabwe legislation

Legislation providing for the election of an executive president will be tabled in the Zimbabwe Parliament tomorrow. Page 4

### Food aid destroyed

Eritrean guerrillas have attacked a convoy and destroyed 16 lorries of the charity Band Aid loaded with food for starving people in Ethiopia's Tigray province. Page 4

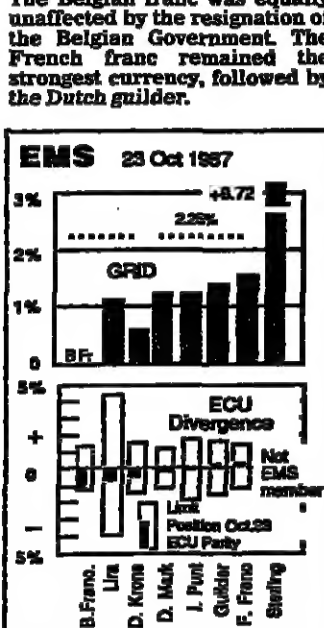
### Doctor canonised

Dr Giuseppe Moscati, an Italian who devoted his skills to curing the poor and who died in 1927, has been declared a saint by Pope John Paul II. Page 4

### Banks meet to review Brazilian debt status

BRAZIL'S leading creditor banks met over the weekend in last-minute efforts to thrash out a deal before a key meeting of US banking regulators which begins today. They are expected to discuss downgrading Brazil's debt to 'value-impaired' status, a move which would force new losses on US banks and worsen the chances of ending Brazil's suspension of interest payments on its \$58bn longer-term debts. Page 22

EUROPEAN Monetary System: currencies in the EMS showed little overall change on the week as attention tended to focus on the sharp fluctuations in equities and bonds. The D-Mark was unchanged against the dollar until a late fall by the latter on Friday afternoon. However this was not sufficient to place any renewed pressure on the weaker members of the system. The Belgian franc was equally unaffected by the resignation of the Belgian Government. The French franc remained the strongest currency, followed by the Dutch guilder. Page 22



The chart shows the two contrasting EMS exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the D-Mark) moves more than 2 1/2 per cent. The lower chart gives the 'central rate' against the European Currency Unit (ECU), itself a basket of European currencies. Page 22

FINISER, Italy's public-sector steel company, has presented trade unions with the outline of a radical restructuring plan that would axe 25,000 jobs over the next three years. Page 6

TRIANGLE, world's largest packaging company and based in the US, has received a \$625m cash offer from its president and chairman for the shares they do not already hold. Page 22

NORTHERN TELECOM and AT&T, which dominate the North American telecommunications equipment market, are to challenge each other for the supply of large telephone exchanges to British Telecom. Page 11

BEAR STEARNS, Wall Street securities trader, is examining legal remedies against Jardine Matheson, Hong Kong trading house, for withdrawing its \$390m offer to buy 20 per cent of the firm. Page 24

CHRISTIANIA BANK, Norway's second largest bank, saw operating profits fall 20 per cent to Nkr109.7m on group earnings of Nkr42.58 a share in the first eight months of the year. Page 24

MATTHEW BROWN, British brewer, predicted a 13.5 per cent rise in pre-tax profits to £10.9m (£17.9m) in the year to next September. The forecast was released in an effort to prevent Scottish & Newcastle Breweries from securing victory in its £188m takeover bid. Page 25

OSAKA SANSO, Japanese industrial gases group in which BOC of the UK has a controlling position, announced pre-tax profits of ¥746m (\$5.2m), a rise of 30.2 per cent in the six months to September 30. Page 24

PERU Government looks set to take over five more banks after an unexplained delay in the nationalisation plan. Page 5

## Shultz rules out further arms concessions for sake of summit

MR GEORGE SHULTZ, US Secretary of State, said yesterday that the US would not make further arms control concessions for the sake of holding a summit meeting between President Reagan and the Soviet leader Mr Mikhail Gorbachev.

In Brussels, West European foreign ministers briefed by Mr Shultz at the weekend expressed no more than routine disappointment at the failure to agree on the date of a US-Soviet summit during last week's negotiations in Moscow.

They were far more enthusiastic about the obvious progress made towards finalising the Intermediate Nuclear Forces (INF) treaty, and on strategic arms limitation.

Mr Shultz, speaking on NBC television, suggested that Gorbachev's decision to back

away from an earlier written commitment to sign an accord banning medium and shorter-range missiles this year appeared to be a last-minute negotiating tactic.

"We have to stay on our course, and not allow anyone to turn a meeting, important though it may be, into a bargaining chip of some kind to get something more for it," Mr Shultz said.

But he warned that, with a presidential election coming up next year, time for a summit was running short. "There's only a finite amount of time and only a finite amount of patience with all this."

President Reagan said in his weekly radio address on Saturday: "We're in no hurry, and we certainly will not be pushed into sacrificing essential interests

just to have a meeting."

Last Friday, Mr Gorbachev refused to fix a date for a summit, linking a meeting to the resolution of outstanding differences on the Strategic Defence Initiative (SDI), the US partially space-based anti-missile defence system.

There was palpable disappointment among senior Reagan administration officials after Mr Gorbachev's last minute switch.

Senator Sam Nunn of Georgia, the influential Democrat chairman of the Senate Armed Services committee, said that Mr Gorbachev had made a "fundamental mistake" in playing the summit card to wrest arms control concessions from the US.

By Lionel Barber in Washington, Quentin Peel in Brussels and Patrick Cockburn in Moscow

Senator Nunn also warned President Reagan that it was in the interests of the US to open negotiations on SDI and the definition of the 1973 ABM Treaty. "If we are to reduce our offensive weapons, we need to know what limits the Soviets are putting on their defensive systems. President Reagan's national security adviser, Mr Frank Carlucci, said yesterday that Mr Gorbachev had deferred a summit meeting because of divisions over SDI.

Mr Carlucci said on ABC news that President Reagan would not allow the Soviets to set limits on the research, testing and development of the SDI programme. "We've made it very clear to

them in Moscow that the President was determined to proceed," said Mr Carlucci, a senior member of the US negotiating team, adding that the Soviet renewal of demands to link the SDI issue to cuts in long-range ballistic missiles was "not acceptable."

In Brussels Sir Geoffrey Howe, the British Foreign Secretary, blamed Mr Gorbachev for producing "a last-minute obstacle of his own making" to delay the promised summit.

He said it was not clear that Mr Gorbachev was setting any specific conditions for holding a summit, but simply that he felt "uncomfortable" with the idea.

Continued on Page 22  
Dangerous tactic, Page 4; Editorial Comment, Page 20



George Shultz: "stay on course"

## Hong Kong unveils \$256m rescue plan for futures brokers

BY DAVID DODWELL IN HONG KONG

THE HONG KONG Government yesterday unveiled a HK\$256m (\$326m) scheme intended to rescue brokers facing bankruptcy as a result of speculative activity on the local futures exchange.

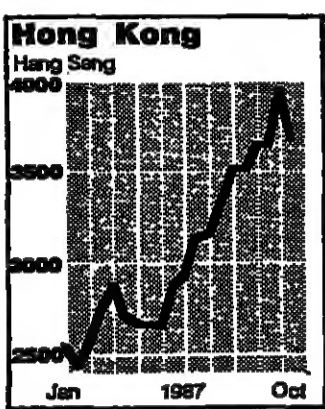
The support package was announced by Mr Piers Jacobs, Hong Kong's Financial Secretary, prior to this morning's re-opening of both the Hong Kong stock and futures exchanges.

Trading on both exchanges was suspended last Monday after the Hang Seng equities index recorded a record low of 420 points to close at 3,362 amid turmoil on world stock markets. Mr Jacobs also announced the resignations of Mr Ronald Li, the founder-chairman of Hong Kong's unified stock exchange, and Dr Kim Chan as deputy chairman and chairman respectively of Hong Kong's futures exchange.

Mr Wilfrid Newton, the chairman of Hong Kong's mass transit railway, corporation, was named as the exchange's new chairman. Mr Philip Thorpe, a senior employee of the securities commission which regulates Hong Kong's futures market, was seconded as the exchange's chief executive.

The appointments were seen as a first step towards tighter government supervision of the futures exchange, with tighter control of the stock exchange perhaps to follow.

The HK\$256 support facility, drawn up on advice from Hambros, the UK merchant bank, over three days of intensive negotiation, paves the way for the re-opening of Hong Kong's exchanges after their week's closure.



### ON OTHER PAGES

Markets in turmoil, Page 2; Editorial comment, Page 20; Big Bang poll results, Page 22; Lex, Page 28; US broker examines Hong Kong's political and economic circumstances, Page 24; World stocks, Page 41; Currencies, Page 44

Mr Jacobs fiercely defended the decision to suspend trading from strong domestic and overseas criticism, arguing that the territory's unique political and economic circumstances left it exposed last Tuesday morning to an awesome collapse.

"I suggest that if we had not acted to suspend trading a week ago, there might have been a different kind of press conference going on tonight - given by men in green caps," he said. The comment is the clearest indication yet of Government fears that Peking would move swiftly if it felt that a political or economic crisis was running out of control.

The lifeboat package has been drawn from three main sources. A group of 10 leading stockbrokers have each contributed HK\$50m. This has been matched by banks acting as guarantors to the futures exchange - which include the Hongkong Bank, Standard Chartered, Citicorp, Lloyds, Barclays and Chase Manhattan.

This aggregate HK\$150m is to be matched by a government facility from the exchange fund. Other weekend moves aimed at buoying market sentiment included a 1 percentage point cut in the local prime rate from 8 1/2 to 7 1/2 per cent, and the early publication of excellent September trade figures.

Stockbrokers nevertheless warned yesterday that prices should be expected to fall steeply. They said continued volatility on Wall Street by the weekend would probably lead to a local collapse.

Many unit trust managers will be forced to sell shares to meet investor demands for redemption of units. Investors with exposure on the futures market will also have to sell equities to cover margin calls.

There was also concern yesterday that a number of stockbrokers had failed to meet the government deadline to settle all backlog share transactions by the Saturday lunch-time. If these brokers are found to have been short-selling, then there have been warning reminders that this is a criminal offence which is likely to be prosecuted.

China is to have two classes of public servants, the political and the professional. In principle, the role of the political will be limited to party affairs, while the professional, who must pass a new set of examinations, will be responsible for managing departments and enterprises.

However, economic reforms designed to give factory managers control at the expense of party officials have encountered serious problems and, in some respects, are not what they seem, since most managers are party officials. The time taken to introduce the new reforms and the breadth of genuine change will provide a measure of reformist influence within the party leadership.

While the party began talking about separating its functions from those of the Government in 1980, the speech, which is now a

key party document, for the first time produced a concrete series of proposals. Curiously, the delegates were told that party 'cadres' should henceforth be known as 'public servants.'

Zhao said the separation of powers was necessary to cut bureaucracy. "It should be noted that the overstaffing, overlapping and unwieldiness of government departments is a result of their responsibilities and back-passing are major causes of bureaucracy."

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## Wall Street counts the cost of collapse

By Anatole Kaletsky in New York

NEW YORK'S financial markets today begin counting the cost of last week's market collapse.

The full extent of the financial damage on Wall Street will begin to show in the next 48 hours when trades made at the height of the panic must be settled under the normal five-day working day cycle. The market makers and brokers have ultimately to bear the cost of any unreconciled trades.

On the New York Stock Exchange the clearing-up process has been a weekend-long process and is still far from completed. The NYSE said it expected to open for business this morning with a 'normal book-keeping load' but reduced trading hours.

Other exchanges and brokers' back offices also worked through the weekend trying to clear up questioned trades and to avert potential trading errors. The National Securities Clearing Corp, the clearing organisation owned by the exchanges, estimated questioned trades rose last week to about 3 or 3.5 per cent of transactions from 2 per cent normally. But trading volume was running some two-and-a-half times heavier than usual so the number of disputed trades soared.

But the damage on Wall Street will probably turn out to have been small compared with the upheavals in the futures and options pits in Chicago.

Not only have dozens of individual market makers been forced out of business by the extreme volatility. Personal fortunes have been far more exposed than on Wall Street by the widespread practice among traders of supplementing their income by writing put options.

Continued on Page 22

## Fed may not join bankers' efforts to support dollar

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

CENTRAL banks in Europe and Japan appear ready to step in if necessary to support the dollar on foreign exchange markets this week, but there are uncertainties over participation by the US Federal Reserve in any such effort.

Following the sharp fall in the US currency's value late on Friday, the central banks will be watching anxiously to see whether or not it comes under further pressure when foreign exchange markets open again today.

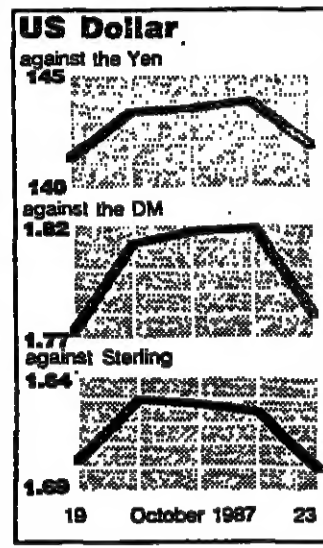
The official hope is that Friday's dollar sell-off will prove short-lived. Senior British Treasury officials pointed out yesterday that February's Louvre accord between the Group of Seven nations remained in place and that, despite the latest fall, the dollar's value against the D-Mark was still close to its level of eight months ago.

European monetary officials predicted a concerted response by central banks if markets threatened the accord.

There were informal official contacts over the weekend on possible joint action, and European central banks will consult in detail this morning through their established telephone conference system.

The officials acknowledged, however, that they were uncertain as to the extent to which the Federal Reserve may be willing to support the dollar if it faces a renewed bout of selling. One senior European central banker commented last week: "What I am afraid of is that the US is not as willing as it is declared to be to defend the dollar."

The Fed has intervened on a number of occasions since



Frans to help stabilise the US currency, but at other times has not joined in concerted action. "The Fed has always been relatively unwilling to participate," another official said.

It emerged last week that the Louvre accord is not based on precise exchange rate bands for the dollar against other major currencies but on much looser understandings between central banks. This means that any decision to defend the currency depends on a shared perception that the agreement is under threat rather than on there being any automatic trigger points.

The monetary officials privately agreed that this general commitment could be tested by the foreign exchange markets following the sharp fall in US interest rates.

## Peking plans the separation of party from government

BY ROBERT THOMSON IN PEKING

THE CHINESE Communist Party has produced a blueprint for political reform which is intended to separate the functions of party and government and to make officials more accountable to the people.

Zhao Ziyang, the acting general-secretary, delivering the opening address to the party's 13th congress yesterday, emphasised that the party must adjust to be relevant in a China changed by economic reform. He admitted, however, that further reform was "bound to meet with resistance."

Zhao's report was a cleverly crafted document of compromise. He was strongly pro-reform, and yet admitted that even the most modest political changes could take 10 years or more. He also paid his respects to conservative concerns about corruption, rising inflation and grain production.

The week-long congress opened with Deng Xiaoping, China's paramount leader, walking to centre stage at the Great Hall of the People to applaud from delegates. An obviously ailing Chen Yun, 82, a senior conservative economist, took almost two minutes to shuffle the 20 metres to his seat beside Deng, symbolising the need for rejuvenation, a theme of the congress.

Before Zhao's speech, a few moments of silence were reserved for deceased party heroes, including Mao Zedong. A serious problem for Chinese reformers has been to provide ideological justification for the pragmatic decisions made since reform was initiated nine years ago. Zhao claimed that China was in the "initial stage of socialism," which allows it to use some methods which appear to depart from socialist principles.

The address, intended as a summary of achievements since 1978 and a preview of future changes, included a warning that the quality of Communist Party members must improve. Some had been guilty of, among other things, "tax evasion, smuggling, bribery, extortion, and moral degradation."

A Western diplomat said the speech made up ground lost by reformers during a year which has seen student protests, the fall of the party chief, Hu Yaobang, and a major campaign against bourgeois ideas.

"It's not the sort of thing to get people out in the streets and cheering, but it will give confidence to reformers around the country," the diplomat said.

While the party began talking about separating its functions from those of the Government in 1980, the speech, which is now a

key party document, for the first time produced a concrete series of proposals. Curiously, the delegates were told that party 'cadres' should henceforth be known as 'public servants.'

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## OVERSEAS NEWS

Pakistan  
'producing  
high grade  
uranium'By Robin Pauley,  
Asia Editor,  
in Washington

PRESIDENT Reagan's Administration now believes Pakistan is producing uranium of the grade necessary to build a nuclear bomb but is nevertheless determined to fight a move in Congress to cancel \$1bn of US aid.

Mr Richard Kennedy, a roving ambassador and chief adviser on nuclear non-proliferation to Mr George Schultz, Secretary of State, said the Government now believes Pakistan has exceeded the 5 per cent uranium enrichment level needed for peaceful purposes on some occasions. US intelligence reports suggest that Pakistan is consistently enriching uranium well above the 5 per cent level although this year's forthcoming intelligence analysis on the state of nuclear weapons building is expected to again confirm that Pakistan has not yet put together a nuclear bomb.

"The ball game is lost when they cross the threshold and put together a weapon and explode one. That they have not done," Mr Kennedy said.

But some senior legislators are furious that Pakistan has lied to the US Administration about the level of its uranium enrichment. Mr Stephen Solarz, a Democrat Representative for New York, and Mr John Glen, a Democrat Senator for Ohio, are planning to bring legislation to the House of Representatives and the Senate to cut off all aid to Pakistan within six months unless President Reagan can assure Congress that the 5 per cent enrichment level is not being exceeded. The aid is already cut temporarily for technical US budgetary reasons but could be reinstated shortly unless the Glen-Solarz plan succeeds.

Mr Mohammad Khan Junejo, the Pakistan Prime Minister, said earlier this month that he will not give any further assurances to the US unless India, which exploded a nuclear device in 1974, does the same.

The US Congress has a nuclear non-proliferation policy which bans aid to countries which gain and utilise the abilities to enrich uranium to nuclear weapons grade. There are ways around the ban, Israel being a notable case of a country now accepted to have developed nuclear weapons capability while remaining a recipient of US aid.

The Administration wants to deal similarly with Pakistan, believing that Pakistan's policy against the Soviet occupation of Afghanistan and its provision of shelter to at least 3m Afghan refugees is a key regional issue requiring full US support and a more important foreign policy issue than the state of Pakistan's enrichment programme.

The aid package in doubt is \$4.2bn over six years, representing about 30 per cent of Pakistan's aid income.

Mr Rajiv Gandhi, the Prime Minister of India, met Mr Reagan in Washington on Tuesday in what was seen as an attempt to improve strained relations. Mr Gandhi has repeatedly criticised the US for not acting strongly enough to stop Pakistan building nuclear weapons.

Robert Thomson on the man set to run the Chinese Communist Party  
**Premier Zhao: mysterious reformer**

IN COMING days, Zhao Ziyang, the premier with a taste for Western food and philosophy, is almost certain to be put at the helm of the 44m member Communist Party of China.

The party's 13th congress, which opened yesterday, will appoint a new general secretary and if Zhao doesn't get the job, China will have changed direction again without the rest of the world realising. The position has been vacant since the sacking in January of Hu Yaobang, who was allegedly too autocratic and allowed the spread of 'bourgeois' ideas.

A career Communist, Zhao steadily accumulated merit points in the provinces as an engineer of reform, and the combination of achievement and political skills should make him acceptable to most factions. His appointment will ensure that reform stays in place, but affirm that no radical changes will be made in the next few years.

Although Zhao is on public display more than most of his comrades, much about the 58-year-old remains unknown. We do know that he swims occasionally and jogs regularly, has five children and was himself the son of a landlord, an accident of birth held against him in 1967, during the Cultural Revolution, when he was paraded through the streets of Canton, dunces' hat on head.

The official biography omits large chunks of his life and Zhao has been reluctant to answer questions on 'personal matters'. He wears Western suits, though he finds neckties uncomfortable and his public statements suggest a sympathy for Western concepts of humanism, a sympathy he has been careful to couch in Marxist terms.

He has no grand plans for one Communist world: 'China is a Communist country, but China's position is quite clear. We do not draw the line at social systems to differentiate between countries. The day of the big socialist family is gone forever. The day should come when no one is judged by a system alone.'

The patronage of the paramount leader, Deng Xiaoping, has been crucial in winning for Zhao the respect of the People's Liberation Army, which has a deep devotion to and complex ties with Deng and his fellow Long Marchers, but less of a commitment to Zhao and his second generation of leaders.



Deng Xiaoping (left) and Zhao Ziyang at the Chinese Communist Party congress yesterday

Zhao Ziyang made his name in China's most populous province, Sichuan, which he led out of famine and into relative prosperity during the late 1970s and inspired the peasant rhyming pun: 'Zhao chi leang, Zhao Ziyang' - to ease your hunger pangs, look to Ziyang. Sichuan became a model for reform, and Zhao a model reformer.

He has impeccable political timing and a talent for turning negative developments in reform into positive reasons for expanding reform. When an austerity movement was launched early this year as an attack on reform, Zhao blamed the lack of austerity on state-run enterprises and presented a coherent set of arguments to prove that broader reforms are the key to austerity.

He also successfully cooled a conservative campaign this year against 'bourgeois liberalism' with a tough speech delivered at the height of a drive to widen that campaign. Zhao articulated the drive's harmful effects and used the ideological excesses of the conservatives to undermine their arguments against reform.

As a West European diplomat explained, the Chinese Communist Party is a brutal battleground and party members 'do not get to the top just by being good administrators'. Another diplomat suggested that Zhao has only become supremely pragmatic during his term as premier, as he has had to confront problems which had no remedies prescribed in Communist texts.

He has read widely and on meeting Mr Richard Nixon during a US visit in 1984, quoted extensively from the former president's book *Leaders*. Much of his confidence in handling foreign officials and in Communist Party meetings comes from background briefings by skilled support staff.

The growing confidence has allowed his wit to flourish. During a meeting last year with the Australian Prime Minister, Mr Bob Hawke, Zhao noted that several members of the visiting delegation were bearded and quipped that because Karl Marx had a beard, some people make the mistake of presuming that all bearded men were Marxists.

Zhao is a Marxist, though his rejection of traditional concepts and inability to find replacements other than a deep pragmatism, leave him open to criticism that he is ideologically weak. Zhao would argue that reform is 'enriching' Marxism, but Communist conservatives argue that the eternal truths of Marxism cannot be enriched.

Interestingly, when asked about his prospects for the party post, Zhao has maintained that his talents are best suited to the premier's job. While his answer is part modesty and part deference to party procedure, there is substance in his words.

As premier, Zhao has been able to intervene at the highest level in political crises without paying too much heed to the party's ghosts. But as party boss, his role as a reform activist will be somewhat compromised in political infighting by his obligations to the party. For example, Zhao himself may be forced to lead campaigns against 'bourgeois ideas' to maintain party harmony, though he finds such campaigns distasteful.

Zhao Ziyang has a vision of the ideal Communist very different to that of Mao Zedong, who attempted to refashion the Chinese character to produce revolutionary beings of a higher order. Zhao prefers giving individuals more room to develop themselves, a revolutionary concept for Communist conservatives fond of total control.

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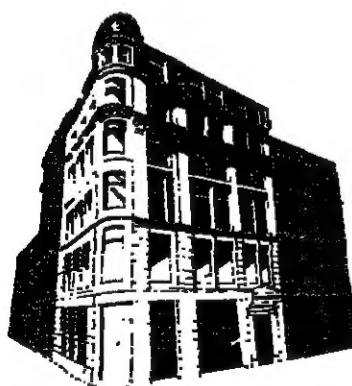
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## OVERSEAS NEWS

The decision to refuse a date for a summit with Reagan has come as a surprise to the US delegation. Patrick Cockburn reports

## Gorbachev tries a dangerous tactic in pursuit of an ambitious goal

THE DECISION by Mr Mikhail Gorbachev, the Soviet leader, last Friday to refuse to set a date for a summit meeting with President Ronald Reagan to sign a treaty abolishing intermediate nuclear forces (INF) clearly came as a surprise to Mr George Shultz, the US Secretary of State, and his delegation.

Mr Gorbachev's aim is clear enough: he wants to use the leverage provided by an INF agreement and a summit to limit President Reagan's Strategic Defence Initiative (SDI). Agreement on this would in turn open the way for a 50 per cent cut in the Soviet and US strategic arsenals.

This could prove a dangerous

tactic in pursuit of an ambitious goal. The leverage provided by INF and a summit could snap if too much pressure is exerted by Mr Gorbachev. Agreement at the Reykjavik summit last year on a broad range of arms control measures was torpedoed by Mr Reagan's loyalty to Star Wars. There is little sign of his position changing.

Yet this does not seem to have been the message drawn by Mr Gorbachev from the positive results of the meeting between Mr Shultz and Mr Eduard Shevardnadze, the Soviet Foreign Minister, in Washington in September.

Speaking a few days later Mr Gorbachev said: "It is beyond

doubt that the first results achieved a few days ago in Washington, the forthcoming meeting with the US President, may provoke a sort of peaceful chain-reaction in the area of strategic nuclear weapons and the non-deployment of weapons in space."

### More relaxed

It was in pursuit of this "chain reaction" that Mr Gorbachev produced his surprise announcement last Friday.

A further reason for Soviet action could be that Moscow is now a little more relaxed about the threat posed by Star Wars. This in turn means that the Sov-

iet Union can be a little more flexible on what the US can test than it could a year ago. Hence an agreement is more attainable.

When SDI was first unveiled by President Reagan in March 1983 the Soviet Union mocked the idea that the US could ever build an effective defence system against nuclear attack which could not be rapidly circumvented by the Soviet side.

The real Soviet fear was that SDI might, in association with an American first strike, be effective against a ragged Soviet retaliatory response depleted by such a surprise attack.

The very fact that weapons orbiting in space are immediately

vulnerable to attack from the ground as soon as hostilities begin also fuelled the Soviet conviction that SDI only made sense if space weapons were used first in combination with a first strike.

More recently the Soviet attitude has sounded a little more relaxed. There is no change in the belief that SDI is an offensive system the deployment of which would rule out any agreement on limiting strategic weapons, the more effective system is as a system the more strategic nuclear warheads Moscow would need.

But the technical difficulties facing SDI, congressional opposition and difficulties of fund-

ing are all making the system look more vulnerable than it did before. This in turn could make Moscow more hopeful that a compromise could be worked out which would satisfy its fears but allow Mr Reagan to feel that he had defended his programme.

### Slim chance

This chance looks slim today and Mr Gorbachev may have exaggerated the chance of a chain reaction leading to agreement on strategic weapons and ABM. But has the Soviet leader risked the gains already made? Could the momentum towards better Soviet-US relations stall or go

into reverse?

This looks unlikely, the diplomatic dialogue between Moscow and Washington has steadily gained strength since Mr Shultz and Mr Andrei Gromyko, the then Soviet Foreign Minister, met in January 1985. Even last week's abortive negotiations produced disappointment rather than friction.

The strength of US-Soviet détente in the 1980s is that it has a greater measure of public and political support than détente in the 1970s. Underpinned by a broader consensus it is less vulnerable to diplomatic successes and reverses.

Yet there are still dangers in Mr Gorbachev upping the stakes

for a summit. Dialogue may be replacing confrontational attitudes and policies in Moscow and Washington but there is still plenty of competition between the two. The Soviet Union also knows that a disarmament treaty signed by President Reagan has the advantage of being probably irreversible to attack from the right.

Most important, it was the two summits in Geneva and Reykjavik which have set the agenda and the tone of relations between the superpowers since 1985. If Mr Gorbachev does not go to Washington or President Reagan come to Moscow the relations between the two are likely to lose momentum and stagnate.

## WEU ministers to set out charter on East-West security

By DAVID BUCHAN IN LONDON AND LAURA RAUIN IN AMSTERDAM

FOREIGN and defence ministers of the seven-nation Western European Union (WEU) organisation meet today in The Hague to lay out their increasingly distinctive European approach to East-West security issues in a common charter or platform.

The WEU move represents the first serious effort to create a European defence identity within Nato since the mid-

1950s, reflects a growing desire for a specifically European voice at a time of potential rapid change in superpower relations, and responds directly to Prime Minister Jacques Chirac's call last year for a European Security Charter.

Co-ordination of the European role in the Gulf, which has probably raised the public profile of the long-moribund WEU higher in the past three

months than in the previous three decades, will figure high on The Hague agenda, particularly when the seven defence ministers hold a breakfast meeting tomorrow. So, too, will the results of the latest US-Soviet negotiations in Moscow.

But the thrust of diplomatic negotiations, since WEU ministers last met in April, has been to produce a report on long-term European security issues. This stresses Atlantic solidarity with the US, but emphasises the peculiar vulnerability

of Europe which must continue to depend on nuclear as well as conventional deterrence.

Britain, France, West Germany and the three Benelux countries are all ready to state this clearly and publicly at tomorrow's conclusion of the WEU meeting.

Only the Italian government has sought delay and dilution of the proposed "platform", which it fears would make a forthcoming referendum on civil nuclear power and domestic political problems harder to

manage.

By contrast, France is described by officials as having shown "extraordinary advances" in sinking some of its previous differences with allies in its quest for Mr Chirac's charter.

For instance, France has subscribed to the WEU report's call for "defence of allies to their borders" implying French readiness to move forward to help defend Germany on the Elbe.

Mr Wim van Eekelen, defence minister of the Netherlands and

co-host of the WEU meeting, said this week: "The big question is whether France will put at the disposal of Western Europe its (nuclear) force de frappe. So far it hasn't. The UK nuclear force is already partially dedicated to Nato and thus to Europe."

Referring to Portugal's formal application to join WEU, and Spain's declared interest in doing so, Mr van Eekelen also said enlargement of the organisation should be considered later. "It wouldn't strengthen WEU,"

he said. The concern of some of the seven WEU members is that new entrants from Iberia might dilute the largely pro-nuclear weapon bias of the group.

US attitudes to WEU appear to have shifted from negative earlier this year to positive, as following discussions in WEU, the British, French, Italian, Dutch and Belgian have sent ships to the Gulf, and the West Germans have partially replaced these forces in the Atlantic and Mediterranean with ships of their own.

## Airlines' profits plummet

By Michael Downs, Aerospace Correspondent

THE WESTERN world's air transport industry earned a net profit of only \$100m on revenues of \$87.9bn during 1986, compared with net profits of \$800m in 1985 and \$1.1bn in 1984.

Mr Gunter Esler, director-general of the 161-member International Air Transport Association, says in his annual report that such a low return means that world airline industry (outside the Soviet Union and China) "is still a long way short of being able to finance the investments it needs to make for its future growth."

On international services alone, the airlines earned an operating profit of \$1.3bn on revenues of \$46bn, but this was cut to a net loss of \$200m after taxes, interest, and other items.

This loss in turn was offset by profits on domestic and charter operations, to produce the final total system outcome of the \$100m net profit.

Mr Esler, who will present his report to the annual meeting of the IATA in Caracas today, highlights two areas of major financial difficulty: rising fuel bills and the inability to recover earnings blocked by some governments, especially in the Middle East and Africa.

In many countries, government monopoly suppliers of fuel have been keeping costs artificially high. IATA pressures have resulted in cuts of up to \$80m in such bills over the past year, but the problem remains acute as fuel prices internationally are now rising again.

On the "increasingly difficult issue" of blocked earnings, at end-August there was still \$870m of the airlines' cash owing, again especially from the Middle East and Africa, even though IATA pressure in the first six months of this year achieved the release of some \$220m.

Many of the debtor countries are oil-producers. During the period of high oil revenues they embarked on costly development schemes that they can no longer finance following the collapse of oil revenues. Such countries now find airlines' hard currency earnings a ready source of cash.

Mr Esler also stresses the need for the IATA itself to change its ways.

The airline industry is rapidly moving away from the stable regulatory regime and market environment in relation to which IATA has functioned effectively for the past four decades.

There is a clear and urgent requirement to adapt the association further to meet new demands and to emphasise an increasingly business-orientated approach, he declares.

## S Korean police quell students

By Maggie Ford in Seoul

SIOT police reappeared on South Korean streets at the weekend to confront students engaged in the campaign to elect a new president under democratic reforms introduced last June.

About 1,000 students were dispersed with tear gas after a rally attended by 50,000 people and the two main opposition presidential candidates at one of Seoul's leading universities.

Also after the meeting, Mr Kim Doo Jung, one of the two candidates, led the students in a brief march which had been declared illegal by the government. Most headed his appeal to disperse quietly and the rest were sent fleeing by about 1,000 riot police firing tear gas.

Students had been throwing stones at Mr Roh Tae Woo, candidate of the ruling Democratic Justice Party, as his motorcade was driving through Taegu, his home town, on the way to a rally on Saturday. This was the third time he has come under attack by demonstrators in the past week.

Concern is growing that the violence at campaign rallies, although minor, could provoke a reaction by hardliners against the efforts to introduce democracy.

Both main opposition candidates - with Mr Kim Jong Pil, the contender associated with the former regime of President Park Chung Hee - held peaceful weekend rallies in various cities.

Mr Roh and Mr Kim Young Sam emphasised their respective plans to end corruption, while Mr Kim Doo Jung promised that there would be no retaliation for past misdeeds by the present government if he were elected president.

Mr Kim Jong Pil added his voice to the growing anger over bias in the media, especially television, which is seen to favour the ruling party. All TV stations except one would be privatised if he were elected, he said.

## Zimbabwe bill to set up executive presidency

By TONY HAWKINS IN HARARE

LEGISLATION to provide for the election of an executive president will be tabled in the Zimbabwean Parliament tomorrow, as part of the revision of the country's constitution agreed eight years ago at Lancaster House.

The bill is to result in Mr Robert Mugabe, the Prime Minister, becoming president in place of the non-executive incumbent, Mr Canaan Banana.

This follows elections last week to fill the 20 vacant, previously white, seats in the House of Assembly. These seats will now be filled by representatives, black and white, elected by the remaining 80 MPs in the House.

In the first round of these elections on Friday, all 20 candidates, including 10 whites, nominated by the ruling party ZANU-PF, were comfortably elected.

The 10 whites include six whose seats were abolished last month. They include no fewer than four former cabinet ministers in Mr Ian Smith's Rhodesian Front of the 1970s. One ZANU-PF nominee, Mr Bill Irvine, had the reputation of being a hard-line supporter of Mr Smith's policies of white domination.

Government MPs say they supported the former Frontiers to demonstrate their commitment to Mr Mugabe's policy of reconciliation. However, Mr Joshua Nkomo, leader of the op-

position ZAPU party whose candidates were heavily defeated last week, says the government is more interested in unity with the Rhodesian Front than with ZAPU. This bitter comment follows the collapse of unity talks between the two parties in April this year and the recent government offensive against ZAPU, which included closure of its offices.

The conversion of former Smith men to support of ZANU-PF, which is committed to the Marxist-Leninist state, has engendered cynicism about the future role and effectiveness of the new MPs.

There is unhappiness too in business circles at the election of these president of the Zimbabwe National Chambers of Commerce and the chief executive of the Confederation of Zimbabwe Industries as MPs. There is concern that this will jeopardise the independence of the organisations they represent.

Ten vacant Senate seats, also previously reserved for whites, will be filled by special election on Friday. Here the calibre of substantive candidates is regarded as substantially higher, with Mr John Laurie, a former president of the Commercial Farmers' Union, and Mr Denis Norman, who now heads the Beira Courier Group, being certain of places in the new Senate.

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## OVERSEAS NEWS

## Salinas drops election bombshell

By David Gardiner in Mexico City

MEXICO'S Planning Minister, Mr Carlos Salinas de Gortari, named earlier this month to succeed President Miguel de la Madrid, has publicly repudiated the ruling Institutional Revolutionary Party's (PRI) practice of monopolising elections, in an unprecedented if tacit admission that not all the 70-year-old regime's victories had been won cleanly.

Mr Salinas dropped this political bombshell on a carefully-chosen PRI rally at the end of last week in the northern border state of Sonora, scene of a 1985 gubernatorial election.

"Some northern states have seen party victories which have not satisfied the local people," the PRI's new standard-bearer said. Though he politely excluded Sonora from this group of states, Mr Salinas said it had to be accepted that the party had come out of these elections "scraped", going on to argue that "modern politics demands clean elections, and I reject the old thesis of 'the clean sweep'".

Since the ruling party was formed in 1929 to unify and consolidate the hold on power of the victors of the 1910-17 revolution, it has won every presidential, senatorial, and gubernatorial contest and the overwhelming majority of municipal elections. Since the rigged 1985 presidential election, the PRI would have won most of these contests anyway. But rather than take risks it has preferred to foster an illusion of near unanimity.

The de la Madrid Government took office in 1982 promising clean elections. But after a string of defeats by the right-wing National Action Party across the north in 1983, it resorted once more to what is known universally here as "alchemy" to face down opposition challengers.

Last July's bitterly disputed gubernatorial election in the border state of Chihuahua, which provided ample prima facie evidence of irregularities, caused a national scandal. But the authorities took refuge in legislation which requires the opposition to prove fraud affected more than 20 per cent of ballots in order for the result to be annulled.

Mr Salinas last week pledged to honour opposition victories, and said his aim was "not only to win but to make people believe in our victory".

This campaign looks set to be dominated by the issue of democracy, but also by what to do about the \$103bn foreign debt and the future course of the country's economic development.

Mr Salinas' successor at Planning and his closest economic adviser, Dr Pedro Aspe, called last week for a reduction in the nominal value of the debt to its market value so that it is the debtors who capture all the discount.

This apparently refers to recent suggestions by Mexico that it might use part of its \$15bn reserves at a discount in the secondary market, where it is currently valued at around 33 cents on the dollar.

But beyond any specific mechanism for reducing the debt burden, Dr Aspe appears formally to have opened a wider debate on whether Mexico should be paying what some officials call "double interest" on its debt, by paying full interest on capital the market itself values at half price.

## Radiation death

The radiation leak in Goiânia, central Brazil, claimed its first two lives at the weekend when a six-year-old girl and her aunt died of Caesium-137 contamination arising from the theft of radiotherapy equipment last month. Ten more victims are in a critical condition.

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## Peru government likely to seize 5 more banks today

BY BARBARA DUFFIN IN LIMA

AFTER AN unexplained delay of six days in its nationalisation plan, the Peruvian Government was expected to take over five more banks today.

Mr Francisco Pardo Mesones, president of the Association of Banks, and of Banco Mercantil, soon to be nationalised, said he believed the Government would act today but he did not intend to allow the state intervention team into his bank. He had

promised to resist a takeover physically.

Mr Pardo has led the opposition to the Government's new law nationalising the private financial sector. Under the law, which went into effect on October 12, 10 private commercial banks, 17 insurance companies, and six finance companies are to be expropriated by the state.

After seizing Peru's two largest banks, Banco de Crédito and the Banco Wiese, and a finance company nearly two

weeks ago, the Government has paused in implementing the law. Its takeovers of the additional five banks, expected since last Tuesday, have been postponed in part because of the thorny legal battle being waged by bankers, some analysts said.

Last week, a judge ordered the Government's administrative committees out of the two banks that had been seized, and declared the expropriations illegal. The Government refused

to obey the court order, and replaced the judge with another, who nullified his predecessor's order.

Meanwhile, employees at the Banco de Crédito, who had purchased a majority of their bank's stock, began a work stoppage. They refused to work as long as the state's administrative committee and a large police contingent were in the bank.

The Government has declared the stock sale to the Banco de

Credito's workers null and void. Stockbrokers handling the transaction were unable to process the cheques for the sale because the Government refused to recognise the former owners' signatures.

President Alan García's problems are multiplying on other fronts as well. Following strikes by civil servants, teachers and doctors, Mr García announced wage increases of between 20 and 30 per cent. He also raised the minimum wage to 2,200 in-

tis, from 1,710 intis, or to approximately \$52 from \$40 a month.

At the weekend, union leaders rejected the Government's increases as inadequate and said they would continue their strikes. One thousand teachers have dramatised their union's plea by going on a hunger strike.

The largest labour federation, the communist-led Confederación General de Trabajadores del Perú, said it was considering another general strike.

## Antilles future in doubt

By Raymond Hughes, Law Courts Correspondent

INTERNATIONAL business lawyers will meet in Amsterdam tomorrow to discuss the long term implications of the ending next January of the 40-year-old Netherlands Antilles tax agreement.

The agreement made the Netherlands Antilles the biggest offshore financial centre for foreign investors in the US.

In June the US Treasury Department announced that it was unilaterally ending the agreement at the beginning of next year. The decision placed in jeopardy \$32bn of Eurobond investments and \$11bn worth of other investments, mainly real estate transactions. Pressure from US and foreign investors exempted Eurobonds.

Tomorrow's meeting in Amsterdam has been called by the International Bar Association, the business law section of which regards the US Treasury's decision as "precipitate and taken without due thought of the international financial consequences".

Mr Madeleine May, the IBA's executive director, said that one of the main aims of the meeting would be to consider the drafting of future tax redemption clauses. The meeting would also discuss alternatives to the Netherlands Antilles treaty by relocation into the Netherlands, Switzerland or another tax haven.

## Peter Ford in Las Manos, Nicaragua, looks at one step to national reconciliation

## Families in balance of Central American diplomacy

SOON AFTER dawn, the two crowds approached each other, eyes sweeping the oncoming faces expectantly.

From the Honduran side of this normally deserted border post came thousands of Nicaraguan refugees, and Contra fighters. From the Nicaraguan side came tens of thousands of their mothers, fathers, aunts and cousins, hoping to find a relative.

Each Saturday for the past six weeks, as a step towards national reconciliation under Central America's new peace plan, Nicaraguans who fled the Sandinista revolution have come here in search of their family members who stayed.

"I didn't ask him anything, I just hugged him," said Mercedes Aleman of the first moment she set eyes on her son Tony since he left Nicaragua three years ago to avoid military service.

This was the first time Mrs. Aleman had come up from Managua to Las Manos for one of the weekly "encuentros", or "meetings". Tony had been coming hopefully each Saturday since the meetings began last month.

They were among the lucky ones this Saturday. More typical was Miguel Angel Gutierrez, a 55-year-old peasant farmer sitting disconsolately on a log by the roadside, scanning the swirling mass of passersby in vain for his sister.

The photographers, standing by their antiquated box cameras hoping to take happy snaps of reunited families, had few takers.

Propagandists, however, enjoyed a field day. Sandinista youth roamed the no-man's land distributing leaflets in praise of co-operatives. From the other side, Contra rebels swarmed among the crowd offering free tubes of toothpaste - in short supply in Nicaragua - while their leader manned a loud-speaker urging his fellow Nicaraguans to "rebel against the communist tyranny".

If no one rebelled on the Nicaraguan side, not many on the Honduran side came home, either.

"I left because I don't like communism, and while they (the Sandinistas) are still there, even if they change a bit, I'm not going back", explained Tony Aleman. His mother, weeping quietly, seemed resigned to his decision.

By noon, only one refugee had taken the Sandinista government's offer of amnesty, and returned. Sixteen-year-old Edelmira Patricia Belvin, who went to Honduras a year ago "because I felt like it", had found "Honduras was OK, but it's not like living in your own country".

Managua hopes that Nicaraguans who come to Las Manos will persuade their refugee or Contra relatives to come home, but that has happened rarely.

Only 20 or so people have taken the amnesty each Saturday, according to the local Sandinista immigration officer. Mistrust of the Managua government runs deep among the refugees, and the outcome of the regional peace process appears too uncertain still to convince many of them that their exile is over.

Meanwhile, for the sixth Saturday in a row, Aureolia Molina wandered tearfully through the crowd, seeking out her daughter Maritza, who she said was kidnapped by the Contras three years ago while teaching in a remote rural village.

Mrs. Molina did not really expect to see her daughter. She is not even sure Maritza is alive. She came because Las Manos is her only hope, as it is for thousands of divided Nicaraguan families whose future hangs in the balance of Central American diplomacy.



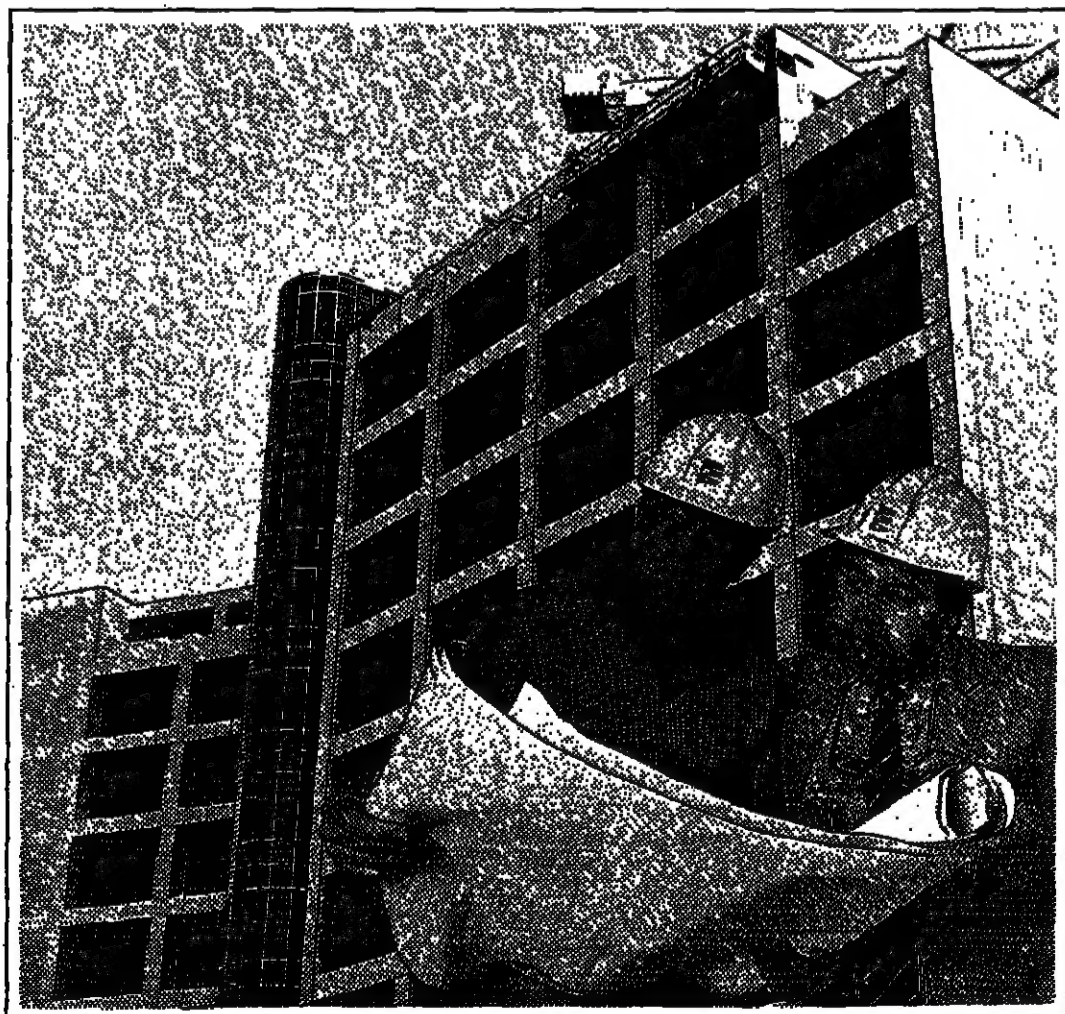
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## OVERSEAS NEWS

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## Yugoslavia sends police to Kosovo

By Aleksandar Lobi in Belgrade

THE YUGOSLAV president has decided to send federal police units into the largely Albanian-populated autonomous province of Kosovo, in the far south of the country, to maintain law and order, admitting that local authorities have lost control.

The decision, announced yesterday, was taken a few days ago at a meeting chaired by President Lazar Mijasevic, who left for Latin America at the weekend.

The federal authorities were reacting to intensified hostility from Albanian nationalists and separatists, and activity by Serbian and Montenegrin nationalists.

The decision may be connected with the conclusion a week ago by the presidency of the central committee of the ruling Communist party that there is no place in the party for Mr Fadil Hoxha, a former leading politician and an ethnic Albanian. It is feared that this could provoke either protest demonstrations by Albanians, who make up almost 80 per cent of the Kosovo population, or angry reaction by Serbs and Montenegrins, who have been accusing Mr Hoxha of being the main mover behind pressure for non-Albanians to leave Kosovo.

The plan was revealed by Mr Mario Lupo and Mr Giovanni Gambardella, respectively Finsider president and managing director. Noting that Finsider is making losses of more than L1,000bn a month, the top managers reckon their plan would bring the group to break-even by 1990.

## Finsider seeks to shed 25,000 jobs over 3 years

By Alan Friedman in Milan

FINSIDER, Italy's public-sector steel company, has presented trade unions with the outline of a radical restructuring plan that would axe 25,000 jobs over the next three years. This would represent a cut of almost one-third of the Finsider workforce, which stands at about 73,000.

The Finsider restructuring plan, which may go through several changes before it is finally approved, includes the lowering of output geared to markets where heavy losses are made: joint ventures with private sector steel companies, and a L5,000bn-L6,000bn (L2.5bn-L3bn) recapitalisation request to the government.

Most strikingly, however, the plan presented to union leaders in Rome on Saturday does not call for the closure of steel plants such as Bagnoli, the modernised and under-utilised operation that is among the most celebrated and controversial steel names in Europe.

The plan was revealed by Mr Mario Lupo and Mr Giovanni Gambardella, respectively Finsider president and managing director. Noting that Finsider is making losses of more than L1,000bn a month, the top managers reckon their plan would bring the group to break-even by 1990.

li and Campi would suffer the heaviest job cuts, but would continue to function. Finsider did not quantify the likely reduction in output resulting from their plan, but union leaders claimed the figure would be a reduction of around 2.5m tonnes by 1990. At present, annual output is around 12m tonnes a year.

Finsider made a L980bn loss in 1986 and given its current losses, described recently by the company as "unsustainable", a 1987 deficit of around L1,500bn is thought possible.

Finsider stressed at the weekend that the plan outlined to union leaders was only "preliminary" and would be finalised before the end of the year.

Earlier reports from Rome: Delays and cancellations of flights plagued Rome's main international airport yesterday as a series of strikes continued to make life difficult for air travellers in Italy.

Further work stoppages are expected today. On Saturday, the Italian national airline Alitalia was forced to cancel 55 flights due to striking ground personnel, and that number was expected to climb to between 100 and 140 flights yesterday, according to airport officials.

A walkout by pilots and flight attendants that was postponed on Oct. 16 in solidarity with the 37 victims of an Italian airliner crash, was rescheduled for today.

Pay was a key issue in all contract disputes, according to officials.

Although the three main unions representing airport personnel agreed to suspend planned strikes this weekend until Monday, when the unions and government representatives are scheduled to reopen contract negotiations, small breakaway unions known as Cobas, or base committees, ignored the decision.

Labour contracts have also come up for renewal this autumn in Rome's urban transport sector, frequently disrupting service on buses, trams and subways.

Italian commentators said the recent increase in strikes by Cobas members - most recently by railroad employees and teachers - reflected disillusionment with the big, traditionally powerful unions as well as dissatisfaction with cobas.

Press commentators at the weekend complained of what they called irresponsible and politically motivated action by small groups of workers in the small unions.

## Gatt may seek overdraft from bank

By William DuBois in Geneva

THE GENERAL Agreement on Tariffs and Trade is running out of funds. Mr Arthur Dunkel, its director-general, has called a special Gatt council meeting for next Thursday, at which he will seek authority to raise a bank overdraft.

The basic problem is SFr12.5m (L3.4m) owed to Gatt by the US but other countries also have substantial arrears in their payments. Italy, for instance, has still to pay its SFr2.8m contribution for 1987.

On October 19, Gatt had only SFr2.67m available in cash, enough to pay the October salaries of its 350 permanent staff, but some SFr700,000 short of the sum required to meet commitments due on October 30.

Even if the immediate cash problem can be resolved, Mr Dunkel has told Gatt's 55 member-governments, further shortages will occur, unless a major contribution is paid by November 10.

Traditionally, Washington pays its share (SFr3.6m of a total 1987 budget of just over SFr61m) in the last quarter of the year out of the US government budget which starts on October 1.

Negotiations between the Reagan Administration and Congress over how to deal with the budget deficit have not been completed. As a result, most US government departments are operating without budget appropriations for fiscal 1988.

"At this moment on this particular issue (Gatt), we are paralyzed," Mr Michael Samuels, Deputy US Trade Representative, said.

There was no question of the US deserting Gatt, he added. The organisation is currently conducting its trade-liberalising Uruguay Round, of which the US has been the main promoter.

The SFr3.6m US debt to Gatt on its 1986 budget arose from a problem over exchange rates in US domestic budgeting, which the US Trade Representative's office was trying to resolve, Mr Samuels said.

Late payment by Italy was also nothing unusual, an Italian official said. It normally pays Gatt in October but has on occasion delayed until December.

Mr Renato Ruggiero, Italy's Trade Minister, told Mr Dunkel on Friday that he would try to speed up official procedures in Rome.

Among other countries with substantial unpaid dues to Gatt are Britain (L1.5m) and Nigeria (SFr1.4m). Several African countries have debts dating back to the 1970s.

## Protests at cuts in Austria

By Judy Dempsey in Vienna

THE AUSTRIAN GOVERNMENT'S attempt to push through an austerity budget package for 1988 suffered a setback at the weekend after thousands of people joined demonstrations to protest against the cuts.

The 15,000 demonstrators - 40,000 according to the organisers - tried to march towards the Parliament where last week, Mr Ferdinand Lisch, the Finance Minister, presented the 1988 budget which is aimed to reduce the growing budget deficit by Sch 30bn (L58bn).

The plans involve a radical reform of the pension scheme, the introduction of charges for certain treatment in the national health system, reduction of the bureaucracy and cutting of child benefit allowances.

Mr Lisch intends to maintain the budget deficit at about Sch 75bn for 1987 and reduce it to Sch 60.5bn during 1988.

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## Poles loosen dollar policy

By Christopher Bohren in Warsaw

FROM THE beginning of next month the Polish state-owned PKO bank is to start purchasing dollar coupons from Poles at the free-market rate and thus to encroach on the hard-currency black market. The authorities have also announced they are lowering interest rates paid on Poles' hard-currency deposits.

The coupons are now issued by the PKO Bank against hard-currency deposits and are used for purchases in the state-owned hard-currency shops.

The coupons have a street value of some ten per cent below the current free-market dollar rate.

The dollar is now worth 2100 in illegal free-market transactions, compared to the official rate of 2125.

The PKO is to charge a 3 per cent fee. Poles will also be able to raise zloty loans at 18 per cent annual interest against security of hard currency deposits. Individual Poles will still have to raise hard currency abroad, or go to an illegal dealer to buy their hard currency and dollar coupon needs.

Until now, Polish banks have paid a top interest rate of 11 per cent tax-free on dollar, sterling, 2-Mark and Swiss and French franc three-year deposits, coming down to 5 per cent on current accounts. Now, in line with World Bank suggestions, banks here are lowering interest rates.

## WORLD ECONOMIC INDICATORS

	FOREIGN EXCHANGE RESERVES (US\$bn)			
	Aug '87	July '87	June '87	Aug '86
US	14,554,000	13,472,000	13,902,000	14,110,000
UK	25,386,000	25,443,000	25,395,000	11,467,000
W. Germany	54,025,000	53,030,000	54,320,000	36,446,000
Japan	48,290,000	49,506,000	63,952,000	36,446,000
Belgium	7,463,000	7,238,000	6,919,000	6,560,000
Netherlands	12,519,000	12,240,000	12,064,000	11,970,000
Italy	16,941,000	19,271,000	20,435,000	18,761,000
France	28,615,000	29,061,000	29,149,000	31,003,000

Source: IMF

## SHIPPING REPORT

## Fears for Kuwait loading

By Kevin Brown, Shipping Correspondent

USE OF heavy rockets against tankers loading in Kuwait led to speculation at the weekend that owners may prove increasingly reluctant to venture into the northern Gulf.

E.A. Gibson, the London ship brokers, said the escalation in fire-power and an increase in war risk insurance premiums could make Kuwait "completely unattractive" at current rate levels.

In the absence of an increase of 10-20 points in rates, charterers could be forced to meet their requirements from safer regions of the Gulf, where both cargo and vessel insurance premiums are less prohibitive, Gibson's said.

The free-on-board cost of this oil is higher than that from Kuwait, where big discounts are available, but the total delivered cost is more than competitive.

Brokers said conditions in the Gulf made it impossible to predict events in the short term with any sense of realism but they reported unexpectedly high demand for tonnage in the southern Gulf. This was well-

comed by owners of ultra-large crude carriers, some of which had been awaiting employment for some time. Four ULCCs were reported fixed for long-haul trips to Worldscale 39.

There was also increased demand for very large crude carriers and rates rose quickly. Among fixtures reported were Worldscale 53 to Singapore and Worldscale 51 to the Red Sea.

In the dry cargo markets, rates continued to move up steadily. On the key US Gulf-Japan route, rates reached \$18 a moved up to \$10.50.

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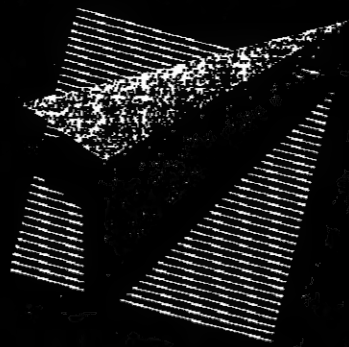


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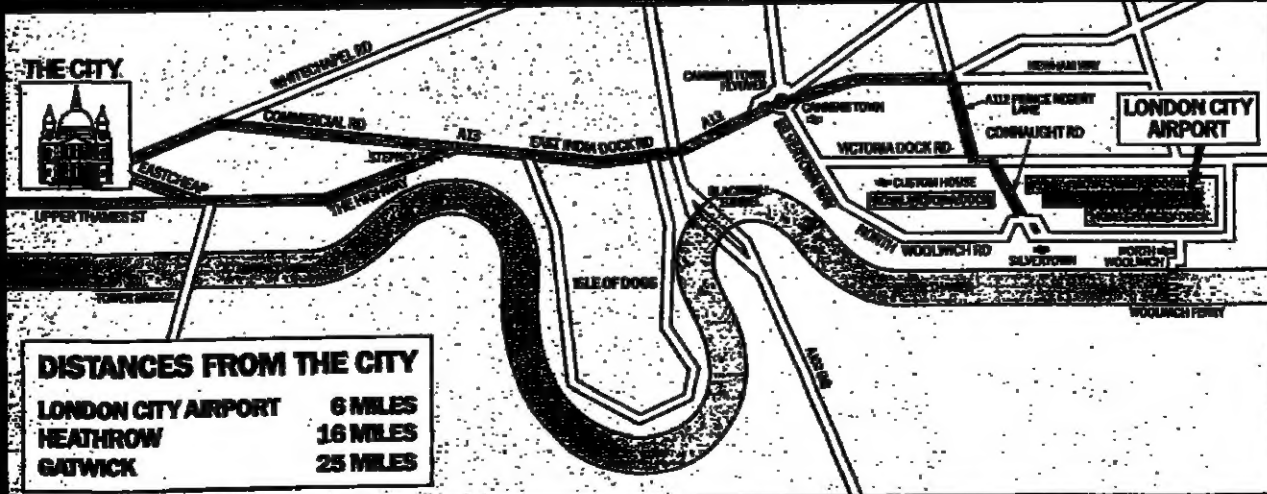
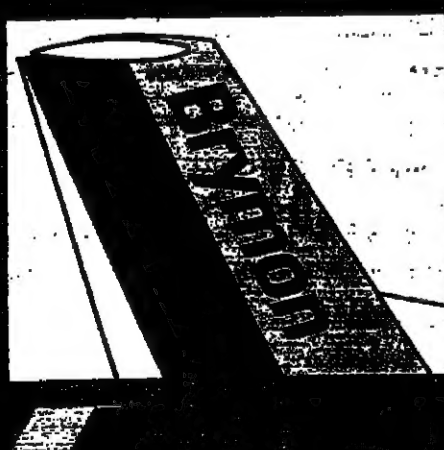




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## UK NEWS

# Richard Evans looks at the reasons for change in the attitudes of hard-left Labour local authorities

## Town halls less defiant as rate-capping begins to bite

THE GOVERNMENT'S agonised attempts to curb the excesses of high-spending local authorities are beginning to bite at last. Two and a half years after the introduction of rate capping, even the most stubborn left-wing Labour councils are coming to heel.

Lambeth, under "Red Ted" Knight, perhaps the most recalcitrant of all, has just confirmed measures aimed at closing the huge budget gap of £60m in the next financial year, and Camden, Haringey, Hackney, Southwark and others have plans for painful retrenchment.

Cuts in jobs and services and increases in rents are inevitable across a large number of Labour councils. This time the squeals of pain are real. The change in attitude has been forced on Labour local authorities for two prime reasons, the first being the third election victory in a row for Mrs Thatcher over the Labour Party.

In spite of specific warnings before the June election from Mr Neil Kinnock and other party leaders that there would be no blank cheque from a Labour government, council leaders reasoned that a Labour Environment Secretary would be much more sympathetic than the uncompromising Mr Nicholas Ridley, and at the very least would allow rescheduling of debts. They are faced, however, with Mr Ridley or his successors for four more years.

The second reason is that

so-called creative accounting, a series of increasingly complex devices used to get round the Government's restrictions on capital and current account spending, is not the panacea it once was.

Many of the most obvious loopholes have been plugged and the money market has been warned off by declarations that the Government would in no circumstances stand by local authority debt.

So, in a series of moves of great political significance, local authority leaders, primarily in London, but also in other authorities that had sought to defy the Government, have ruled out further defiance. They see no point in following disbarred Lambeth and Liverpool councillors into pointless martyrdom.

The upshot is that many Labour leaders who continued to take the hard line of defiance have been ousted or forced into a minority within the ruling Labour group.

In Lambeth, a dozen left-wing councillors sought last week to rescind a savings package accepted last month. They were defeated by the majority and Lambeth will carry on with a recruitment freeze on 75 per cent of vacant posts, plus a series of other cuts.

At Haringey, a hard-left budget that would probably have led to surcharging of councillors, has been defeated and the leadership taken over by the "soft" left. A cuts package of



Nicholas Ridley: refused to rule out draconian powers

£15m has been proposed to bring the council within this year's budget.

Similarly in Camden, eight rebels who voted against cuts were dismissed from committee chairs before a decision was taken to cut next year's budget to 80 per cent of this year's spending. There remains a gap of £53.6m next year to be bridged by other means.

The irony is that the moves, although caused by Conservative policies, will probably do Labour electoral prospects

nothing but good. There is little doubt that Labour suffered badly in June because of the image of left-wing "loony" councils particularly in London. It was the biggest cross Mr Kinnock had to bear.

Now, with the soft left and moderates in the ascendancy, and value for money and efficiency taking precedence in Labour's political vocabulary over confrontation, this weight has largely been lifted.

The low point came in the spring when the independent Audit Commission, responsible for improving local authority efficiency, published a widely reported survey comparing sets of eight deprived boroughs, two in London and one in the provinces. The group of inner London boroughs, Brent, Camden, Hackney, Haringey, Islington, Lambeth, Lewisham and Southwark, all Labour-controlled, came out appallingly in virtually every respect.

The report helped by placing vital external pressure on the councils to start putting their own houses in order rather than simply rely on the chimera of an incoming Labour government to bail them out.

Nevertheless, the present position is that all but two of London's 15 Labour-led local authorities are in severe financial difficulties as they seek to balance their budgets for 1988-89. Only Hounslow, and Barking and Dagenham look clear of severe constraints.

Although councils such as Manchester and Sheffield have big debts and financial problems they have for the most part come to terms with the Government's edicts rather faster than many London boroughs. The exception is Liverpool, which still has a budget gap next year of more than £50m which risks becoming unmanageable.

Having rejected confrontation with the Government or resignation, the attitude of councils now is to do the best they can and impose the necessary cuts as painlessly as possible. There is no longer any insistence on protecting all jobs and services, although there is still a determination to avoid compulsory redundancies.

That's the bottom line now: no redundancies, a Lambeth official says. Lambeth plans to save £19m in wages next year but through natural wastage and early retirement. Camden, also to shed 1,500 jobs, has circulated all staff with details of voluntary redundancy and early retirement schemes.

The need for cuts in services and staffing, rather than massive rate increases like those imposed this year by Ealing and Hammersmith, is shown in boroughs like Islington.

Margaret Hodge, Leader of Islington and of the Association of London Authorities, said: "For every percentage point we put on the rates we only get £145,000 because of the iniquitous

penalty system." There was therefore no alternative to cuts, Islington.

The changes have not been without trauma: violence flared in the council chamber at Haringey when left-wing demonstrators protested against spending cuts of £15m this year and £26.5m next year.

One way out for beleaguered rate-capped councils in earlier years was to go to the Government to seek redetermination of their budgets because of hardship. However, this avenue has been effectively closed by Mr Ridley who has refused to give a pledge against using draconian powers in such circumstances to determine future spending patterns.

There is no alternative to harsh cuts in both services and staffing levels in many boroughs and the signs are that next year, when more of the delayed interest payments on creative accounting measures become due, the medicine will be even more bitter.

Mr Tony Travers, a specialist in local government finance at the London School of Economics sums up the situation: "There is a new realism coming through in London Labour government, much less threatening and much more prepared to compromise in the name of efficiency. The Government is winning its battle but it is killing off one of its best propaganda assets, the Labour left, in the process."

## Councils may set poll tax start date

BY PETER RIDDELL, POLITICAL EDITOR

PROPOSALS to allow local authorities the right to decide how quickly to introduce the community charge, or poll tax, will be considered this week by senior ministers.

This follows widespread calls at the Conservative Party conference in Blackpool earlier this month for the immediate introduction of the charge in place of domestic rates, rather than the four-year phasing-in from 1990 onwards announced in late July.

Mr Nicholas Ridley, the Environment Secretary, said he welcomed these unexpected calls, since he had always favoured a short transition period.

A compromise proposal has been devised to allow local authorities to decide whether they want to introduce the charge in one go, or over four years.

There are, however, complicating factors associated with the redistributive framework in the rate support grant system, and with the proposals to allow inner London boroughs to opt out of the Inner London Education Authority.

The Treasury has also been strongly opposed to the rapid introduction of the new charge, on both financial and political grounds, and has favoured a lengthy transitional period.

This decision will be the final one before the bill on rates reform is published towards the end of next month. A small, though prominent

and vocal, group of ex-ministers and other Tory backbenchers has already made clear its opposition to the change, though government business managers are now reasonably confident about its passage through the Commons, with the main problems being in the House of Lords next spring and summer. A warning shot will be fired this evening by Mr John Biffen, the former leader of the Commons, in a pre-recorded interview on the BBC's Panorama programme.

He says the charge will be "deeply resented" by a large number of Conservatives and he notes the quality of the opposition.

Mr Biffen argues that the new system must be just and "not one which bears more heavily upon the poor than it does on the rich."

Significantly, in spite of the general increase in support for the Conservatives in the opinion polls since the June general election, a Market and Opinion Research International survey in yesterday's Sunday Times suggests that 49 per cent of the sample oppose the new tax, against 37 per cent in favour. This represents an 8 per cent swing against the plan since June.

The same survey, taken last Monday, also points to opposition to a number of the Government's other legislative proposals on, for instance, housing and water authorities.

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You may ask, "What has this to do with me? My car can't run on it."

The surprising fact is that 40% of post-1985 cars can run on unleaded petrol with minor adjustments to their engines. Eventually, of course, all new cars will be designed to run on unleaded, which should be widely available in the UK and other EEC countries by October 1989.

For motorists, the changeover will probably raise a series of questions – which is why we've produced this page.

Alternatively, you can pick up the Esso Unleaded leaflets, including our Service Station Site Directory, at your nearest Esso station.

We hope that in this European Year of the Environment you will find them helpful.

## 1 Q. What is unleaded petrol?

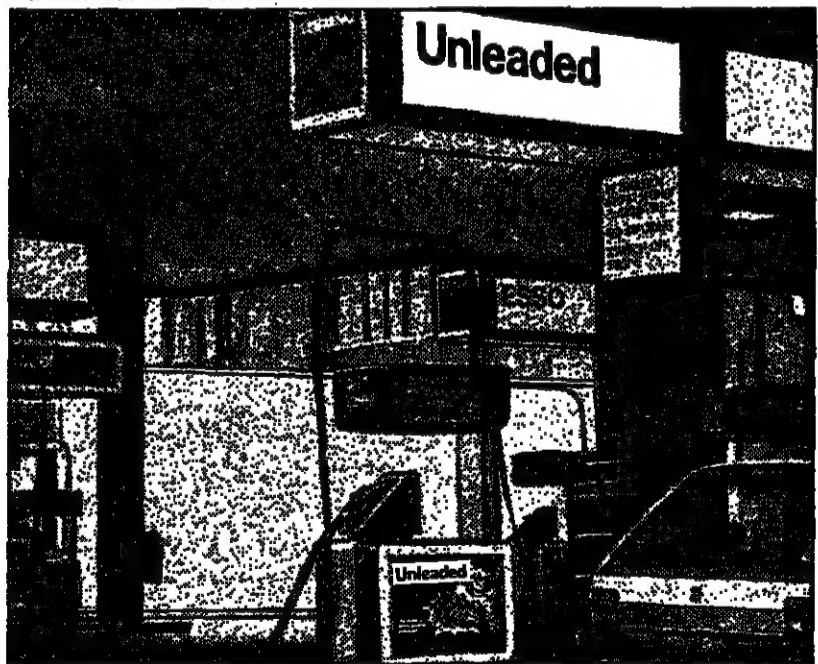
A. It is petrol to which no lead has been deliberately added.

## 2 Q. Why is lead added to petrol?

A. Small quantities of lead compounds can be added to petrol to increase its octane number. This allows the use of higher compression ratio engines with more ignition spark advance, which means improved engine efficiency and fuel economy. To replace lead we have to introduce more high octane compounds to compensate.

## 3 Q. What is 'low lead' petrol compared to unleaded?

A. Low lead refers to the normal leaded petrol which is currently available. This is because the lead content was reduced in all petrol to 0.15g per litre on 1st January 1986 from its previous level of 0.40g per litre, in line with British Standard 4040. Unleaded petrol is allowed to contain up to 0.013g per litre which is why it cannot be called 'lead free', although on the Continent this term may be used where unleaded cannot be translated.



## 4 Q. Can I use unleaded petrol in my car?

A. The majority of cars in the United Kingdom have been designed to run on leaded petrol. However, nearly 40% of post-1985 petrol cars are now capable of running on unleaded fuel, although most will need some minor adjustments to allow this. Eventually all new petrol cars will incorporate the necessary modifications for them to run on unleaded. Before attempting to use unleaded petrol you should check first with your car dealer or motor manufacturer.

## 5 Q. What is a catalytic converter?

A. Although not legally required in the UK at present, a catalytic converter is a device that can be fitted to the exhaust system. When the exhaust fumes pass through the converter, emissions such as nitrogen oxide and carbon monoxide are burnt up or oxidised. Unfortunately, lead damages the catalysts, so they are only effective on cars already using unleaded petrol.

## 6 Q. Where can I buy unleaded petrol?

A. Esso were the first company in the UK to put unleaded on sale. And since then we have been increasing the number of our service stations that sell unleaded petrol. We have more stations selling unleaded than our competitors – and by the end of 1987 the number of sites will have risen to over 200. For details of where you can buy Esso Unleaded please pick up a FREE copy of our latest site directory from any Esso station.

## 7 Q. How will I know which pump dispenses unleaded petrol?

A. Esso Unleaded pumps are clearly marked UNLEADED and will usually have a small pump nozzle and identification cover marked UNLEADED on the nozzle.

## 8 Q. What happens if I inadvertently put the wrong fuel in my car?

A. Given the safeguards mentioned above it would be very difficult for you to do so. However, an isolated incident may not be too serious. Unleaded petrol used in an engine designed to take leaded, or leaded petrol used in an unleaded engine, could eventually cause damage to the engine.

## 9 Q. What about other petrol fuelled equipment, like my lawn mower and chain saw?

A. Some will operate successfully on unleaded. However, you should check with the manufacturer or dealer for specific advice and follow their recommendations.

## 10 Q. For how long will leaded petrol continue to be available?

A. Unleaded petrol will be phased in over a number of years. Therefore both leaded and unleaded will be available for a transition period which will be as long as the present product is required to supply today's cars.

## 11 Q. What happens if I take my car to the Continent?

A. Both leaded and unleaded petrol are available in Europe. There may be slight differences in unleaded to take account of local conditions, but this is unlikely to affect a car that can run on unleaded petrol.



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## PLESSEY HOTLINE \*\* PLESSEY H

### PLESSEY WINS £6m SYSTEM X ORDER FROM CHINA

A \$6 million contract to supply System X to China has given Plessey its second major overseas success for this advanced digital switching system. The contract is for 26 exchanges with a capacity of 24,000 lines, for delivery by 1989.

Plessey Telecommunications Systems will supply the local exchanges and remote concentrators as part of the Zhengzhou-to-Baoji railway electrification project. System X was successful against intense international competition, which included bids from seven other established suppliers. The contract is financed by the Overseas Economic Fund of Japan.

The adjudication was on the basis of System X having the most modern technical solution available to meet the stringent specifications of the tender.



Plessey is producing System X exchanges at the rate of more than a million lines a year.

#### BREAKTHROUGH

Mr David Dey, managing director of Plessey Telecommunications, said the contract was further confirmation of the opportunities that existed for the British public switching

industry in world markets. "We have been determined to break into the international marketplace for the supply of System X and our persistence, first in Colombia and now in China, has been rewarded," he said.

The recent criticism of System X is now shown for what it was - ill-conceived and ill-founded.

### USA FIELD TRIAL SUCCESS

Stromberg-Carlson, the Plessey subsidiary in the USA, has announced acceptance by Pacific Bell of two field trial installations of the SYSTEM CENTURY Digital Central Office (DCO) switching system.

The installations include a 4,872-line host switch and a 1,716-line remote network switch at locations about 75 miles north of San Francisco.

Stromberg-Carlson president Ernest L. Jones said acceptance of the field trials exemplified Stromberg-Carlson's steady progression into the Bell Operating Company environment.

Last April Stromberg-Carlson received an order from South Central Bell for 600,000 lines of DCO equipment between 1988 and 1990. That order closely followed completion of a Bell Communications Research implementation analysis and the successful cutover of a DCO switching system in South Central Bell territory.

### £7m ISDX SWITCH FOR BT

Plessey has won an order worth nearly £7 million from British Telecom for its top-selling ISDX business exchange.

The order is for the ISDX 300, with from 16 to 32 exchange lines and from 80 to 160 internal extensions.

Mr Ian Maclean, managing director of Plessey Business Systems, said: "We have continually developed this product since its arrival on the market in 1983. British Telecom have seen it to be the leading ISDX since it was launched and our latest enhancements have ensured the future of the ISDX as probably the world's most advanced system."

The order marks a change of approach by BT, who will now have the ISDX on the shelf to meet customer demand.

All ISDX developments are compatible with existing systems.

### MORE PAYPHONES FOR COLOMBIA

A big new order from Colombia is the latest in a string of sales that have made Plessey intelligent payphones world-beaters.

Worth \$3.5 million, with an option worth another \$3 million, the order is for 2,000 street coinphones and a trial 100 credit card phones in and around Bogota.

Plessey won the order from Empresa Telecom Bogota of Colombia, beating the cream of European and Japanese opposition.

Plessey is already supplying payphones to five of Colombia's six major administrations.

#### SALES TRIUMPH

From having just a single payphone customer four years ago, Plessey has grown to become a world leader with sales to 37 administrations.

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Plessey payphones in El Salvador - one of 27 countries where sales have been made.

microprocessor technology has seen us triumph over world competition by sheer excellence."

Among the advanced features of Plessey payphones are automatic fault reporting, electronic coin validation and high resistance to vandalism.

cards and international credit cards.

Mr Peter Brown, managing director of the Plessey payphones business, said: "Our



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### SICK LEAVE COSTING COMPANIES £5bn A YEAR

## Absenteeism in Britain blamed on low motivation

BY JOHN GAPPER, LABOUR STAFF

THE COST of absence from work to British business is £5bn a year, and the factors most widely blamed for the UK's comparatively poor record are lack of motivation on the part of workers or their family responsibilities.

These are among the findings of a survey by the Confederation of British Industry which also reports that full-time manual workers have the worst attendance record, taking 11 days off a year against the 6 days taken by full-time white collar staff.

It also concludes that self-certification of sickness may have increased with company size (see table) but found a fairly stable level of sickness absence in all sizes between 1983 and 1986, despite a slight rise in 1986.

The survey, of 431 companies employing 1.9m people, found some regional variations in work absence, the non-attendance rate being highest in the

Number of employees	SICKNESS ABSENCE RATES BY COMPANY SIZE (1986)	
	Manual	Non-Manual
1-100	2.4	1.5
101-500	3.9	2.2
501+	4.6	2.5

Source: CBI Survey, Spring 1987

north-west of England and the south, and lowest in the south-west and west Midlands.

The report containing the results argues that work absence "is often symptomatic of a general failure to abide by agreed rules of commitment, morale and responsibility within the workforce."

It also suggests some reasons for the UK's poor record - 11.8 per cent of full-time employees were found in an earlier study to be absent during a sample week compared to 8.5 per cent in France and 3 per cent in Germany.

Companies which believed they had a hidden "absenteeism" problem placed poor motivation and family responsibilities at the top of the list of factors responsible, along with

unauthorised extension of holidays and drink-related problems.

They were also asked if they believed any factors had discouraged employees' absence in their businesses: 70 per cent of those which did singled out improved monitoring procedures. Thirty-five per cent cited fear of redundancy and the lack of available jobs elsewhere.

Around 58 per cent of companies replying said that the Statutory Sick Pay scheme did not create a significant administrative cost, but 94 per cent said they would object to an extension of the time period for self-certification.

Absenteeism from Work: CBI, 103 New Oxford Street, London WC1A 1DU; 25 to members, £7 to non-members.

### Unions warned on recruitment of part-timers

By our Labour Staff

ONLY 33 per cent of women who work part-time are members of trade unions, compared to 50 per cent of those working full-time, according to a report on new working patterns published today.

It also suggests that unless union recruitment drives aimed at part-timers - 90 per cent of whom are women - concentrate on issues such as child-care, parental leave and maternity rights, they will be unlikely to succeed.

"Part-time workers have been seen as having less interest in trade unions and a lower level of activism at the workplace," the report says.

Part-timers Under Pressure: by Jennifer Hurstfield, Low Pay Unit, 9 Upper Berkeley Street, London W1B 8SB; £3.00.

### Rover workers vote on shares scheme

BY OUR LABOUR STAFF

A meeting of the workforce of Llanelli Radiators, Rover Group's component plant in Dyfed, Wales, is to be held today to seek backing for an employee share ownership scheme financed by Unity Trust, the trade union bank.

Provided that at least 500 of the 800 workers buy £500 (£825) of preference shares in the company by November 6, a US-style Escop (Employee Share Ownership Plan) will be triggered, under which 25 per cent of the ordinary shares will be held in an employees' trust.

The Escop, the fifth to be made public in Britain, is expected by union negotiators to be fully backed by the workforce despite some potential misgivings prompted by fluctuations in the world financial markets.

"There must be some doubts, but I think they are intelligent enough to see the difference between speculating in shares and buying a stake in your future," said Mr Brian Johnson, chairman of the plant's joint union committee.

Those accepting the offer will receive 50 free ordinary shares, as well as their preference holding. Unity Trust has provided a bridging loan of £250,000 for the preference shares and another of £125,000 for the ordinary shares.

In the new company that has bought Llanelli Radiators from the Austin Rover Group, senior management will own 30 per cent; employees and the trust, 25 per cent; the Rover Group, 25 per cent; and Barclays de Zoete Wedd, 5 per cent.

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Hitachi's wide-ranging technologies in communication (from left to right): optical fibers, optical IC, advanced telephone exchange system, and satellite communication.



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## North American groups seek BT exchange orders

BY TERRY DODSWORTH AND DAVID THOMAS

NORTHERN TELECOM and American Telephone and Telegraph, which dominate the North American telecommunications equipment market, aim to supply large public telephone exchanges to British Telecom.

This would put them in competition with the joint company being formed by the General Electric Company and Plessey to rationalise the manufacturing of System X, the digital exchange.

They would also be challenging Thorn-Ericsson, the joint venture of Thorn EMI of the UK and Ericsson of Sweden, which is undergoing some teething troubles in selling the Swedish company's digital exchange to BT.

Northern Telecom, a Canadian company which has recently taken a 27.5 per cent stake in STC of the UK, is expected to try to break into the BT network during the next stage of development of the City fibre optic system.

STC has been a major contractor on this project, designed to give the City a high capacity telephone network. Phase three is due to be finalised next spring, possibly in March, when it is anticipated STC will try to include the Northern Telecom exchange in its proposals.

Northern believes that if the bid is successful, it could then offer BT a public network. Mr Edmund Fitzgerald, Northern Te-

lecom chairman, said it would be prepared to build an exchange factory in the UK if it were successful in selling its large exchange to BT.

AT&T, which has a partnership in Europe with Philips of the Netherlands, has a similar strategy of trying to use the sale of specialised exchanges to BT as a springboard for selling exchanges for BT's main network.

AT&T-Philips has just received a three-year order for BT's Freephone service.

Since the announcement of the GEC-Plessey merger, a debate has started in BT about whether it will need a third supplier to maintain competitive pressure on GEC-Plessey and Thorn-Ericsson, although BT officials remain reluctant to introduce a third exchange technology into the network.

However, the STC-Northern consortium believes there is room for a third supplier because it claims the Thorn-Ericsson switch is expensive.

Thorn-Ericsson has just failed to win significant orders in the latest round of exchange orders from BT which normally awards four batches of orders a year.

Thorn-Ericsson won only a few extension orders in the latest batch. This follows its failure to win any contracts at all in the previous batch awarded in June.

Aggressive pricing by GEC and Plessey is believed to lie behind that failure.

## Higher pay award levels predicted

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE MAIN determinants of the level of pay awards in Britain all point to a further rise in the level of settlements over the next few months, according to a study published today.

The study by Phillips & Drew, the City securities house, forecasts that for the fourth quarter of this year the average increase in manufacturing is likely to rise from 5.4 per cent to 6 per cent. In services, settlements are likely to rise from 6.4 per cent to 7 per cent.

The study would imply an acceleration in the pace of average earnings growth - which includes overtime, bonus and other elements in overall pay - to 6.4 per cent in manufacturing and to 7 per cent across the economy as a whole.

Economists at Phillips & Drew believe that the stock market collapse is unlikely to have any short-term impact on wage bargaining, although it might point to lower settlements next year as a result of slower economic growth.

For the next few months the study says a number of key factors in the wage bargaining pro-

cess point to an acceleration in earnings growth. Although the inflation rate is expected to edge down in the immediate future, most forecasters predict a further rise next year, a projection which is probably built into the employees' pay demands.

The recent sharp fall in unemployment and a parallel rise in the number of vacancies is likely to strengthen employers' need to retain and attract staff, a further factor pointing to higher settlements.

Wage deals will also be influenced by the sharp increase in the level of pay awards in the public sector over the past year. Earnings growth for public sector workers averaged 8.4 per cent in the year to August, and 1987-88 wage deals already agreed are expected to push that figure up to 9.4 per cent.

Finally, Phillips & Drew says that buoyant company profits will make it difficult for employers to resist high pay demands. For 1987, as a whole, profits growth is likely to be more than 20 per cent.

## Company finance options 'distorted by tax rules'

BY RICHARD WATERS

TAX RULES are distorting companies' financing decisions, the Confederation of British Industry says in a letter to Mr Nigel Lawson, Chancellor of the Exchequer, published today.

A series of out-dated rules inhibit corporate treasurers from using new financial instruments to tap capital markets, it says. Abolishing these rules is one of the steps it calls for in its annual submission on technical amendments for next year's Budget.

The CBI also complains strongly about the backdating of some tax rules in the Finance Bill, and about the growing tendency to make tax law by statutory instrument, which does not need the approval of Parliament, rather than primary legislation, which does.

The first of these developments potentially renders much tax planning pointless, while the second reduces taxpayers' ability to influence develop-

ment of tax law, the CBI says. The use of innovative financial instruments is being hampered by a number of rules, it says. These include:

- The incidental costs of arranging loans are deductible for tax purposes, while those arising from equity issues are not. This distorts the choice between debt and equity finance.
- Deep discount securities must be redeemed in full, rather than gradually over a period. To avoid the pressure this puts on cash flow, companies are forced to make a series of issues with different expiry dates.
- Certain types of 'short interest' (interest paid more frequently than once a year) are not tax deductible.

In all, the CBI points to 50 details of tax law which it says handicap British business.

Technical Budget Representations 1988, CBI Publications Sales, Centre Point, 103 New Oxford Street, London, WC1A 1DU. £5.

## Labour aim in election 'was to be second'

By Peter Riddell, Political Editor

LABOUR'S main advertising advisers admitted over the weekend that the party's primary objective during the general election campaign had been to come second and to relegate the Alliance to a poor third place.

Members of the advertising agency which advised Labour gave details of the party's strategy during a weekend conference at Essex University on political communications in the 1987 campaign.

Mr Chris Powell of Roase Masini Pollitt said that at the start of the campaign Labour had 'no chance of winning the election, but there was a danger of being written off and overtaken by the Alliance. Hence the first objective (top in a list of aims presented in a visual display) was to push the Alliance into third place.'

This was to be achieved by keeping the Labour vote solid by emphasising social issues. Labour advisers and strategists claimed that the party had achieved its aim.

There was general agreement among the strategists of all parties at the conference that the decisive factors were the general prosperity, the Tories' recovery of momentum in autumn 1986, Labour's loss of the Green-lich by-election and defence rows in spring 1987, and the Alliance's poor campaign.

## Michael Cassell on the revolutionary mood among socialists meeting in Chesterfield

### Frustrated left wing recalls radical spirit

NEARLY 2,000 left wing activists left Chesterfield last night, convinced that, to coin a second-hand political slogan, their time had come.

The two-day Socialist Conference, called in the wake of a Labour party conference alleged to have surrendered to Thatcherism, was a forceful, if sometimes fractious, attempt to gather together the frustrated followers of radical socialism.

Dubbed by one Cabinet minister 'an asylum for the antique, eccentric, extreme and the frankly raving', the Chesterfield meeting was, according to the organisers, staged to lay the groundwork for overturning the existing political order.

In particular, its target was a capitalist-based system which has certainly given its enemies cause for rejoicing in the past few days.

There was unrestrained glee at recent events in the world stock markets and the prospect of worse to come. The crisis was seen as the signal for a revival

of the socialist struggle, with Chesterfield the rallying point for the final fight back.

The conference sponsors, which included the Campaign Group of Labour MPs, have been delighted by the impressive turnout and are determined to build on the weekend's events by organising further regional meetings and by holding another national conference next year, probably in May.

Before the conference began, Mr Tony Benn, the Chesterfield MP and one of the principal organisers, said he wanted to see it build a 'mosaic and not a monolith of opinion' in which everyone had their say and everyone else listened.

His ambitions were, in part, spectacularly fulfilled, although his mosaic looked increasingly like a jigsaw with far too many pieces. Neither was everyone prepared to listen.

Among those attending and speaking were members of the Socialist Workers' Party, the Workers' Revolutionary Party, Militant Tendency, the Revolutionary Communist Party and the Young Communist League.

They were all equally contemptuous of Kinnock-style Labourism.

Alongside them sat trade union leaders, Labour MPs - the Campaign Group represents a quarter of Labour members at Westminster - former MPs and would-be MPs (some, like the tireless Mr Les Huckfield, fitting both descriptions) as well as several members of the party's ruling national executive committee.

There was plenty of ceremonial tearing up of party membership cards, although the inevitable question of forming a new party to carry the banner - an idea hastily sat upon by the organisers - rarely reared its head.

Delegates were told that they would have to vote Tory if they wanted to remain in line with Labour's leadership.

The conference hailed its heroes - like the late Samora Machel of Mozambique, the late Josef

Stalin and the late, lamented Liverpool councillors.

Contemporary heroes were also well represented, with Mr Ken Livingstone, MP for Brent East, demanding that Labour take control of the 'commanding heights' of capitalism, and Mr Bernie Grant, the black MP for Tottenham, claiming that the poll tax was racist.

The villains, who were hissed, included Mr Bryan Gould, who until last week thought share ownership was a good thing, anyone from Sellafield or the Special Patrol Group and that old class-traitor, Mr Ramsay MacDonald.

The Labour leadership, now off in search of its version of electable socialism, has attempted to distance itself as far as possible from the weekend's proceedings.

The leadership's problem is that, while it may believe it has marginalised the forces of the hard left, the public's perception may continue to be somewhat different, given the active involvement at Chesterfield of

numerous MPs and NEC members.

The problem for Mr Benn and his colleagues is where to go from here. Apart from further conferences, there is talk of electing an organising committee to help marshal the left, although the intention is to conduct the fight within the Labour party.

The big question is whether the success in tapping a rich vein of resentment against a revisionist Labour leadership - not to forget hatred of the Tories - offers a realistic basis for a cohesive movement capable of championing the cause of the radical left.

It might not take long before the euphoria triggered by this weekend's rally is overwhelmed by the complexity and scale of the challenge.

As one animated contributor to the proceedings yelled out: 'There has been an air of unreality about this conference, as if we were on another planet.' No doubt, Mr Kinnock wishes they were.

## Owen ally criticises Liberals over defence policy

By Peter Riddell

THE SPLIT within the Social Democratic Party is widened this morning with the publication of a pamphlet by a close ally of Dr David Owen, the former party leader, criticising the Liberals' approach to defence and urging a firm commitment to the Trident missile system.

The pamphlet, by Mr John Cartwright, MP for Woolwich, has been published not by the party, but as the third in a series of discussion papers by the Campaign for Social Democracy, which opposes a merger with the Liberals.

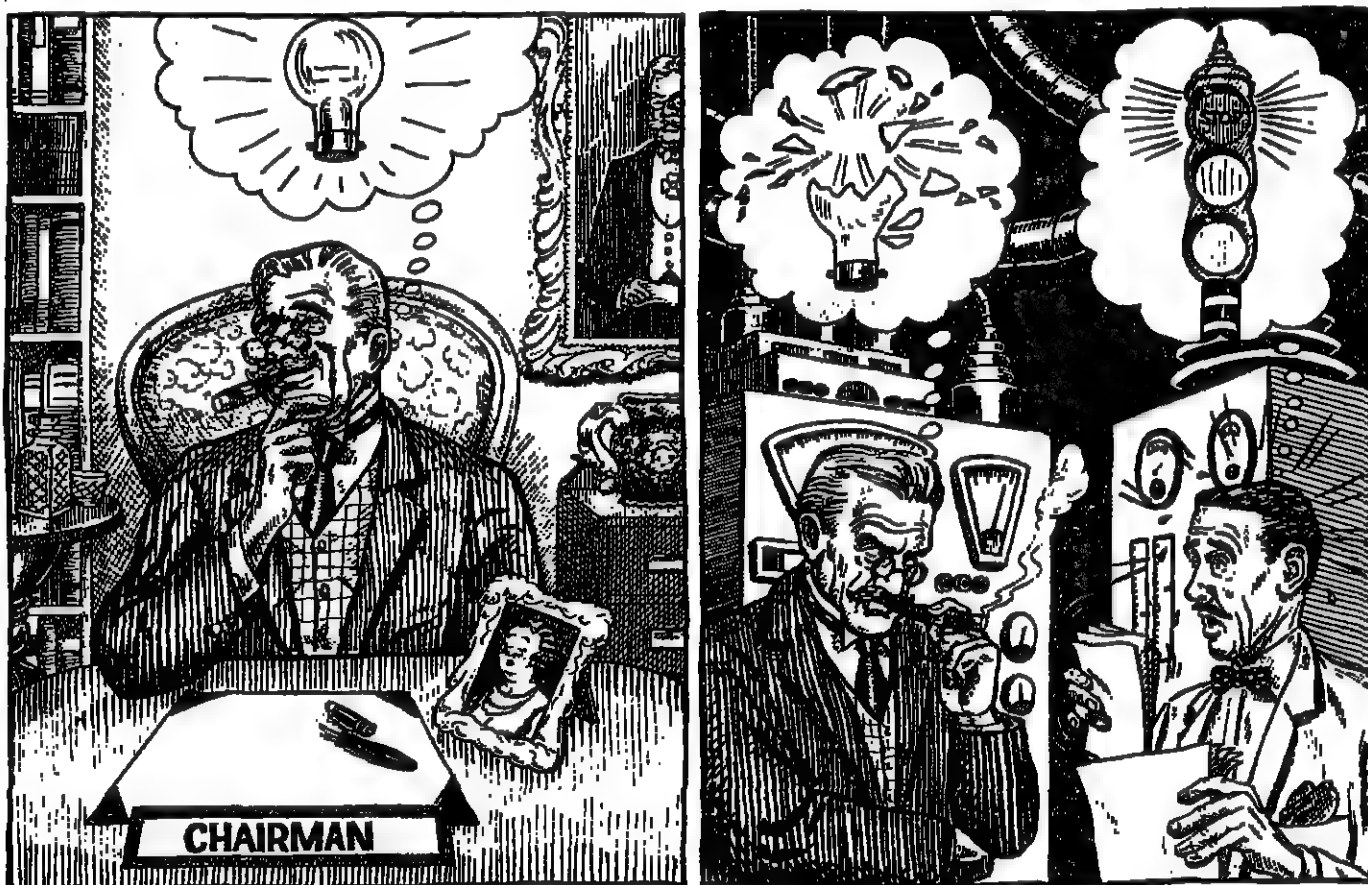
Mr Cartwright, a defence spe-

cialist, argues: 'If Britain is to maintain an effective nuclear deterrent into the next century, it must be Trident.'

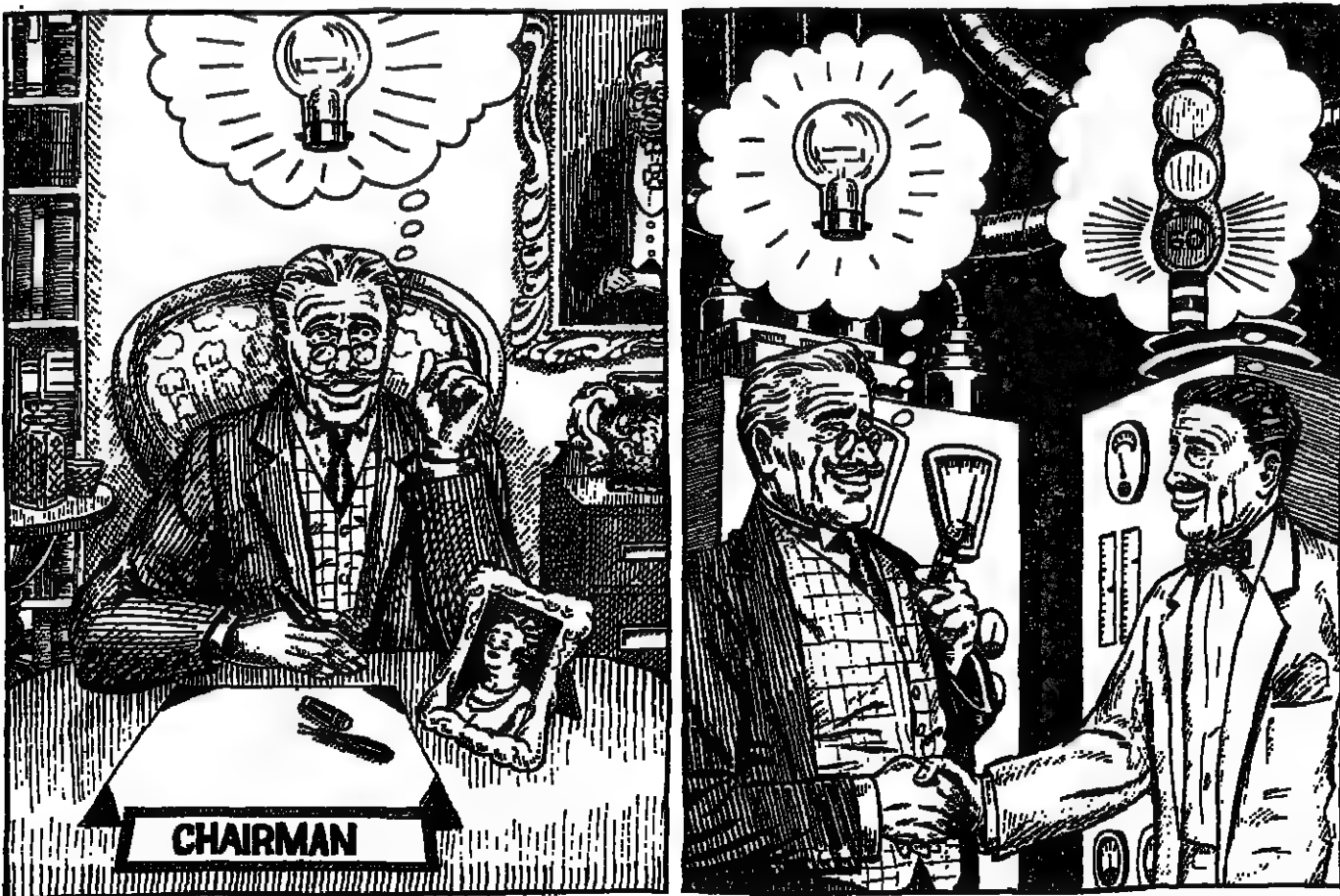
The separate activity by the Campaign for Social Democracy has caused increasing argument within the SDP.

At the weekend the strongly pro-merger and anti-Owenite Welsh Council of the SDP approved a motion arguing that 'any organisation or group that issues policy statements in the name of the SDP but independently of the constitutional policy-making processes of the party, or seeks to divert membership income from the national secretary, is a group whose purposes are in conflict with those of the SDP. Membership of such a group constitutes prima facie grounds for expulsion from the party.' However, no such step is likely.

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## DTI investigates takeover defence mounted for AE

By CLAY HARRIS

THE CONTROVERSIAL takeover defence mounted last year on behalf of AE, the motor components group, is being investigated by the Department of Trade and Industry.

The investigation affects at least Hill Samuel, AE's merchant bank adviser in the ultimately unsuccessful effort to resist takeover by Turner & Newall, the engineering and building materials group.

AE narrowly escaped takeover by T&N in September 1986 but succumbed three months later when a second bid was allowed by the Takeover Panel which ruled that Hill Samuel and Cazenove, AE's stockbroker, should have disclosed indemnity agreements with other shareholders which tied up a critical 7.3 per cent stake in AE during the first offer.

Sir John Collyear, former chairman of AE, said yesterday: "I am aware that they had made some inquiries." He confirmed that he had been approached by DTI investigators.

The Takeover Panel, however, is believed to have not been involved in the latest investigation, which was revealed in documents relating to the agreed acquisition of Hill Samuel

Group itself by TSB, the banking and insurance company. The DTI inquiry has been launched under Section 447 of the 1985 Companies Act, which allows investigators to require documents to be produced and to ask questions about them.

Unlike the inspectors involved in the present DTI inquiry into the Guinness bid for Distillers, being conducted under other sections of the Companies Act, the investigators do not have wide-ranging powers to question witnesses on pain of contempt.

The DTI conducts about 100 Section 447 inquiries each year. The opening of an inquiry indicates that new information has been received since Mr Paul Channon, then Secretary of State for Trade and Industry, said in a parliamentary written answer on February 23 that information available about the AE bid did not constitute grounds for a DTI investigation.

At T&N's annual meeting in May, Sir Francis Tombs, chairman, forcefully rejected demands for a DTI investigation, denying that anything suspicious had taken place other than the matter already dealt with by the panel.

## Economic regional divide 'to deepen'

By Hazel Duffy

THE NORTH-SOUTH economic gap will be even more marked by the year 2000 and the population shift from urban to rural areas will continue according to a report published today by the Cambridge Econometrics Group.

The report divides the country into regions where economic growth is forecast to be swift - East Anglia, the south-west and the East Midlands; slow - the south-east, Yorkshire/Humber, West Midlands, Scotland and Wales; and in decline - Northern Ireland, the north and the north-west.

The forecast assumes national growth of 2 per cent per annum, a continuation of Conservative policies into the early 1990s and unchanged tax levels overall.

Within the overall growth the disparities between the regions which have been increasingly apparent over the last decade will accentuate. One marked change in regional fortunes will be the West Midlands, which is forecast to rejoin the southern region as part of the prosperous half of the country.

Regional Economic Prospects: Cambridge Econometrics and the Northern Ireland Economic Research Centre. Full report £750; short version £30.

FT/MIL RESEARCH GROUP POLL ON BIG BANG

## Fund managers say change was worthwhile

REPORTS BY BARRY RILEY

### DIGEST OF THE MAIN FINDINGS

How many brokers do you currently deal with?	14%	Has your volume of securities business changed since Big Bang?	What percentage of your total securities business is conducted on a net rather than commission basis?
Fewer than 10	20%	Increased	83%
10-19	25%	Decreased	1%
20-29	9%	Stayed the same	15%
30-39	9%		
40-49	8%	Has your cost of dealing been reduced?	Yes
50-59	8%	No	92%
60 or more	5%	Yes	7%
		No	60%
How many brokers do you currently deal with regularly?	25%	Has your business been affected by settlement delays?	Yes
Fewer than 10	42%	No	33%
10-19	11%		
20-29	5%		
30-39	3%		
40-49	1%		
50-59	1%		
60 or more	1%		
Has the number of brokers you regularly deal with changed since Big Bang?	9%	Has the quality of research varied since Big Bang?	Improved
Increased	62%	Deteriorated	13%
Decreased	33%	No change	33%
Stayed the same	33%		
Has your volume of dealing in foreign equities through London firms increased?	27%	What gains have been achieved through Big Bang?	
Increased	27%	Lower cost of dealing	85%
Decreased	5%	Improved speed of response	58%
Stayed the same	5%	Greater liquidity of the market	53%
Don't deal/no comment	9%	Improved access to foreign securities	53%
		Higher quality of service	25%
Are you dealing to a greater or lesser extent with American firms?	43%	What losses have been experienced since Big Bang?	
Greater	43%	Increased internal costs	50%
Lesser	2%	Problems from conflicts of interest	50%
No change	43%	Loss of personal contact	45%
Don't deal/no comment	13%	Impact of excessive regulation	37%
		Lower quality of investment research	33%
Are you dealing to a greater or lesser extent with Japanese firms?	30%	Overall, was Big Bang worthwhile?	
Greater	30%	Yes	78%
Lesser	2%	No	13%
No change	43%	Don't know	11%
Don't deal/no comment	25%		
Does your firm currently employ in-house dealers?	63%	Why was it worthwhile?	
Does employ	63%	Reduction in dealing costs	37%
Does not employ	37%	Re-established London's international role	32%
		It was 'essential' or 'inevitable'	24%
		Brokers forced to compete more effectively	20%

### THE RESPONDENTS

Type of fund management organisation	34%
Insurance companies	34%
Investment trusts	17%
Unit trusts	17%
Pension funds	29%
Investment advisers	12%
Value of funds managed by each organisation	
£0 - £198m	8%
£200m - £499m	14%
£500m - £999m	20%
£1000m and over	58%

## Less fun and more volatility among the main drawbacks

"IT WAS essential to internationalise," said an institutional fund manager. "If we hadn't had Big Bang we would have lost our business to Tokyo or New York," said another.

By a large margin, London's fund managers believe that the introduction of the Stock Exchange's new trading system on October 27 1986 was well worthwhile.

"It has increased efficiency and broken up what was essentially a cartel," said one of the respondents to MIL Research Group's survey. He added that although there was nostalgia about the old system, the disappearance of the paternalism and old school tie attitudes were not to be regretted.

But enthusiasm is not universal. "I do not object to it happening, it is just happening too quickly," observed a fund manager.

Others are concerned about the generation of unnecessary turnover in the market place. One of the few outright opponents of Big Bang had the prescience to comment, a few days before the market cracked on October 19, about the potential dangers.

"Big Bang has led to a volatile market. There is a liquidity problem and if the market weakened it could snowball down," he warned.

The frantic dealing activity was also criticised as irrelevant to institutional needs by a strategically-minded manager. "I cannot see what the average institutional investor has gained except in terms of commission. As long-term investors we only wish to acquire long-term stakes in businesses," he said.

The arrival of more brokers from abroad is given a general but not universal welcome. The Americans, in particular, are welcomed for their enthusiasm and for building up good teams of analysts.

But the natives are not always friendly to the Americans. "They are incompetent and inefficient and totally alien. They are a menace to the City," commented one respondent.

Big Bang's favourable impact on the cost of dealing is widely acknowledged among the institutions, although not all are totally satisfied. "The dealing cost is lower but the actual share price is not necessarily as favourable as pre-Big Bang," said a sceptical manager.

Several were also conscious of the plight of the small shareholder. "To a large extent the private investor is being priced out of the game, assuming he can even find a broker who can deal with him," was one view.

Elsewhere, problems have arisen on paperwork. A few institutions have escaped, but others have been forced to take avoiding action. "It has made me cautious of dealing with certain brokers," a manager said.

Views on brokers' investment research appear mixed. On balance, some deterioration has been detected, but this is not a universal opinion. Several fund managers have noticed a shift in emphasis in brokers' research material, which they say has become more short-term in approach. Another recurring theme is that many senior analysts have changed firms and have left gaps.

There is less in-depth re-

search," said a fund manager. "All the people doing it are far too young. There is a serious lack of experience."

Another respondent echoed this. "There are now great numbers of very inexperienced analysts about, putting forward ridiculous reasons for buying and selling shares on very short-term views." He complained that too many of the experienced analysts had been shifted into management positions.

The independence of analysts' views is apparently now regarded with some suspicion. "You get the feeling they have been influenced," one institutional man said.

Those top analysts who have moved firms were "less inclined to work hard," thought one of the more critical managers. Analysts, he said, had become very weak on fundamentals, tended to pluck figures out of the air and had generally become "quite wildly over-optimistic."

"We are able to compete on an international basis," a respondent said. The development of so-called programme trading, through which institutions are able to liquidate or restructure large portfolios cheaply and almost instantaneously, also came in for favourable mention.

But managers tended to be more vocal about their complaints.

## DKB ECONOMIC REPORT

October 1987: Vol. 16, No. 10

## Japanese economy now on a course of steady recovery

### Reduction in trade balance surplus

Japan's net exports on a real GNP basis have been reduced substantially, due to decreasing exports and increasing imports which has had a deflationary impact on the economy. In addition to the changes in the volume of trade, the trade surplus has been steadily reduced, dropping from US\$6.6 billion in January to US\$7.7 billion in July (seasonally adjusted) as a result of the waning influence of the J-curve effect and increasing oil imports. In looking at the merchandise trade surplus on a custom clearance basis, the gap has been dropping below the corresponding figures of last year since May, with the surplus shrinking by US\$1.2 billion in July on a year-to-year basis. A breakdown of the July figure shows that although two factors encouraged

expansion of the gap (the rise in export prices by US\$1.8 billion and the decline in the value of gold imports by US\$0.8 billion), the collective effect of three other factors worked to reduce it. These were: (1) the decrease in export volume by US\$0.8 billion, (2) the increase in oil imports by US\$0.5 billion, and (3) the increase in the importation of other goods and commodities other than gold and oil by US\$2.5 billion.

Although the drop in overseas demand tended to depress business growth, the recovery of Japan's economy has been showing further progress led by active domestic demand in the household, industrial, and government sectors.

**Favorable progress in household demand**

Both personal consumption

and housing investment are displaying favorable growth. Housing investment in particular is at the center of the growth in domestic demand and is continuing to show remarkable expansion due to low interest rates and the support of government policy. New housing starts from April to July 1987 rose by 24.9% on a year-to-year basis, reaching an annual level of 1.63 million houses. This represents the highest level since 1973, the last period to show strong growth, when 1.81 million houses were built.

The expansion of housing investment, with a subsequent rise in the sales of furniture and household electrical appliances, is seen to be a factor for the growth in personal consumption. Other factors which are felt to have influenced consumption include an increase in consumer confidence and a rise in stock prices, which increased personal assets.

### Industrial growth shows signs of improvement

The position of non-manufacturers has become firmer while the manufacturing sector is showing signs of picking up, signaling a general trend of improvement for the entire industrial sector.

According to the "Short-term Economic Survey of Major Industries" surveyed by the Bank of Japan in August, sales and earnings improved for the non-manufacturers related to personal consumption, housing, and public investment. Moreover, the Business Outlook D.I. for Major Industries (the ratio of companies expressing a favorable outlook to those expressing a non-favorable outlook) has shown continuing improvement for non-manufacturing industries since May (8% in May, 12% in August and 13% in December).

Meanwhile, sales and earnings reported by manufacturers in the survey were favorably affected by progress in inventory adjustment and the steady

Industries on a path of recovery		1986-1	1986-2	1986-3	1986-4
Current price index (1980=100)		1986-1	1986-2	1986-3	1986-4
Manufacturing	105.0	107.1	107.1	107.1	107.1
Non-Manufacturing	105.3	107.1	107.1	107.1	107.1
Sales (bil. ¥)		1986-1	1986-2	1986-3	1986-4
Manufacturing	105.0	107.1	107.1	107.1	107.1
Non-Manufacturing	105.3	107.1	107.1	107.1	107.1
Earnings (bil. ¥)		1986-1	1986-2	1986-3	1986-4
Manufacturing	105.0	107.1	107.1	107.1	107.1
Non-Manufacturing	105.3	107.1	107.1	107.1	107.1

Note: 1. Figures in parentheses indicate the forecasts in the May survey.  
2. Current price for non-manufacturing excludes those in the electric power and gas sectors.

Source: DKB "Short-term Economic Survey of Principal Enterprises" (August 1987)

growth of domestic demand. Although the Business Outlook D.I. for manufacturers remained negative, there were signs of improvement (-27% in May, -22% in August, and -18% in December).

Against this background, machinery orders (excluding electric power and ship-building), which are leading barometers of future facility investments, dropped 1.1% in January to March on a year-to-year basis but turned upward for an increase of 2.2% in April to June, indicating considerable recovery in future facility investments.

### Steady improvement in the business environment including the government sector

With private domestic demand achieving a new orbit in its recovery, fiscal expenditures lent additional support to the overall economic recovery, particularly through advance execution of public investments.

Following the approval of the fiscal 1987 budget, contracts for public works projects increased in May to July by 8.0% over the previous year. Along with the emergency economic package, public investments are expected to play an even more active role in stimulating the economy. Thus, the economy seems to be progressing steadily into a new level of recovery.

### Emphasis on commodity prices in monetary policy

As the economic improve-

ment becomes clearer, changes can already be seen in commodity prices. July wholesale prices rose 0.9% over the previous month marking two consecutive months of increase from June. Although temporary factors for the rise were seen to include the drop in the yen exchange rate, the increase in oil prices, and the adoption of summer rates for electricity power, progress in inventory adjustment and the rise in prices for construction materials, reflecting the expansion of housing investments, also contributed to the rise in commodity prices.

In addition to increasing commodity prices, the money supply has also grown by a double digit rate since May, raising concern from the Bank of Japan that inflation may also rise to some extent. Since the yen is expected to continue to rise for the foreseeable future, while wage increases are predicted to remain relatively stable, there appears to be less danger of inflation. However, the upward trend in prices is expected to continue, especially in construction materials, as a result of additional public investments. Therefore, the Bank of Japan will maintain careful management of monetary policies with special emphasis on stabilizing commodity prices.

However, a sharp pull back on the monetary reins could result in a slowdown in domestic demand and a rapid appreciation of the yen.

The monetary policy seems to be entering a very difficult phase.

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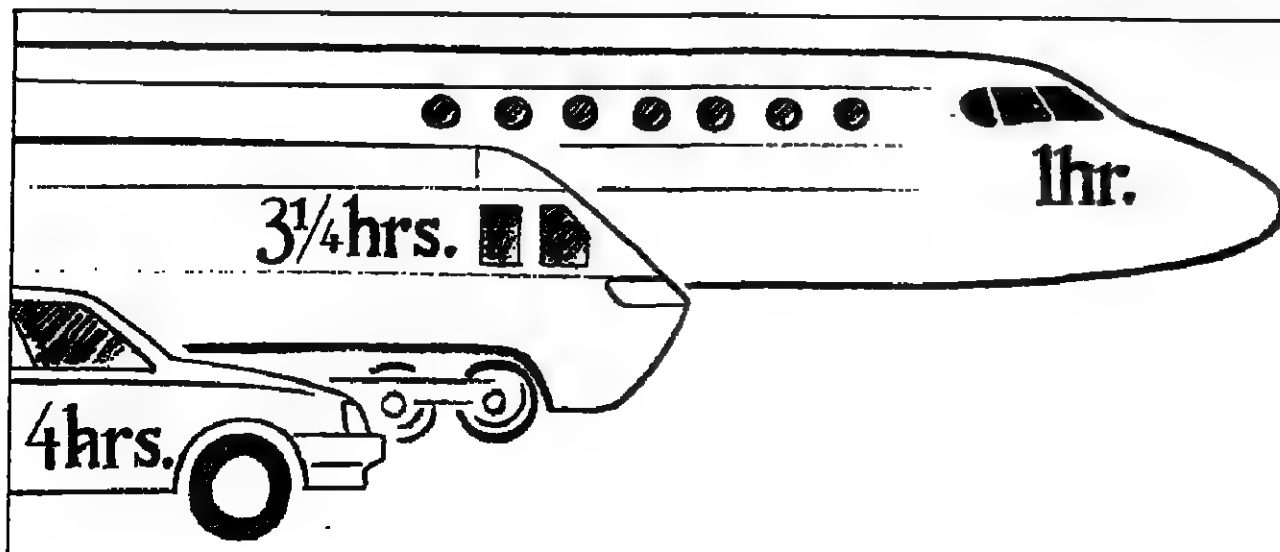
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If you have received a personalised BLUE form, you should complete that form.

If you are already a shareholder you may also apply on the RED form sent to you.

Otherwise, please use the form below.

# 1 Put in Box 1 your full name and address (please use block capitals).

Applications must not be made by anyone under 18, but a parent, grandparent or guardian of a child under 18 may apply for the benefit of that child. To do this, you should put your own name in Box 1, and after your surname write "A/C" followed by the full names of the child and the child's date of birth. This does not stop you from making a single application for your own benefit.

If you wish to apply jointly with another adult, see Note 7.

# 2 Put in Box 2 (in figures) the number of shares for which you are applying. You may only apply for one of the numbers of shares set out below. Applications for any other number of shares will be rejected.

Number of shares you are applying for	Amount you pay now (£120p per share)	Your total investment (£300p per share)
50	£26	£264
100	£120	£330
200	£240	£660
300	£360	£990
400	£480	£1,320
500	£600	£1,650
600	£720	£1,980
700	£840	£2,310
800	£960	£2,640
900	£1,080	£2,970
1,000	£1,200	£3,300
1,500	£1,800	£4,950
2,000	£2,400	£6,600
2,500	£3,000	£8,250
3,000	£3,600	£9,900
3,500	£4,200	£11,550
4,000	£4,800	£13,200
4,500	£5,400	£14,850
5,000	£6,000	£16,500

Above 5,000 shares, applications must be in the following denominations:

Applications	Multiples of
5,000 to 10,000 shares	1,000 shares
10,000 to 50,000 shares	5,000 shares
50,000 to 100,000 shares	10,000 shares
over 100,000 shares	50,000 shares

# 3 Using the middle column of the table above, put in Box 3 (in figures) the exact amount you pay now.

Payment is in three instalments. The second instalment of 105p per share is payable by 3.00 p.m. on 30th August, 1988 and the final instalment of 105p per share by 3.00 p.m. on 27th April, 1989. A reminder about the second and final instalments will be sent to your registered address before they become due.

# 4 If you wish to receive the share bonus and you are an eligible individual or applying on behalf of an eligible individual, write "Yes" in Box 4.

If you write "No" in the box or do not complete it, you will not receive the share bonus.

If you are in any doubt about whether you are an eligible individual, you should read the details of the share bonus arrangements set out in the full prospectus or mini prospectus (including, if necessary, the arrangements for nominees' applications on behalf of others).

# 5 Read the declaration in Box 5, then sign and date the form in Box 5.

The application form may be signed by someone else on your behalf if he is duly authorised to do so. An agent must make the power of attorney appointing him (or a copy certified by a solicitor), unless he is a Selling Agent, Financial Intermediary or U.K. Clearing Bank (as referred to in Section 10 of the full prospectus) and states the capacity in which he signs.

A corporation must sign under the hand of a duly authorised official, whose representative capacity must be stated.

## WARNING

Criminal proceedings may be instituted against anyone knowingly making or authorising more than one application for the benefit of any person except for any other application BP shareholders are entitled to make on red preferential forms.

# 6 Pin in Box 6 a cheque or bankers' draft for the exact amount you have entered in Box 3.

Your cheque or bankers' draft must be made payable to "BP Share Offer". Please ensure that it is crossed and write on it "Not Negotiable". A separate cheque or bankers' draft must accompany each application.

No receipt for your payment will be issued.

Your cheque or bankers' draft must be drawn in sterling on an account at a bank branch in the U.K., the Channel Islands or the Isle of Man and must bear a U.K. bank sort code number in the top right hand corner.

If you do not have a cheque account, you must obtain a cheque from your building society or a bank branch, in which case you should write your full name(s) and address on the back of the cheque.

An application may be accompanied by a cheque drawn by someone other than the applicant(s), but any monies returned will be sent by cheque crossed "Not Negotiable A/C Payee Only" in favour of the applicant(s).

# 7 JOINT APPLICANTS

You may apply jointly with up to three other people, provided each applicant is aged 18 or over. They should complete and sign Box 7.

They should read Note 5 and the declaration in Box 5 before signing this box.

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Surname: \_\_\_\_\_

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Postcode: \_\_\_\_\_

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Please write "Yes" or "No" in the box \_\_\_\_\_

I declare that to my knowledge this is the only application made for my benefit (or that of the person(s) for whose benefit I am applying) except for any other application I am entitled to make as a shareholder on a red preferential form. I have read the warning in Note 5.

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

October, 1987

Pin here your cheque/bankers' draft for the exact amount in Box 3, payable to "BP Share Offer" and crossed "Not Negotiable".

**JOINT APPLICANTS**

The first applicant should sign Box 5 and complete Box 1. Using BLOCK CAPITALS, insert below the names of the other joint applicants, who must sign in the right hand column.

I/we join in this application and give the declaration set out above.

Mr, Mrs, Miss, Ms or title	Forename(s) (in full)	Surname	Signature
2nd joint applicant			
3rd joint applicant			
4th joint applicant			

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Those claiming commission or reimbursement of commission should stamp both boxes applicable to them.

Stamp of person claiming commission and VAT reg. no.	Stamp of other intermediary claiming reimbursement of commission and VAT reg. no.
Stamp of person claiming commission and VAT reg. no.	Stamp of other intermediary claiming reimbursement of commission and VAT reg. no.

If not registered for VAT, put "none"

Acceptance no. \_\_\_\_\_ Commission calculated \_\_\_\_\_

Acceptance no. \_\_\_\_\_ Commission calculated \_\_\_\_\_

## UK NEWS

Kevin Brown looks at the record of a deregulated transport industry

# Cost and benefit of a bus revolution

A YEAR AGO today bus users woke up to find themselves at the centre of a revolution in public transport.

For the first time in 50 years, the industry was opened up to anyone who wanted to run a service - provided they could satisfy safety regulations, which remained unchanged.

The 1985 Transport Act, which provided for this sweeping deregulation, blew a blast of cold air through a system in which existing operators had been protected from competition by tightly-controlled local authority licensing.

However, 12 months after the event it is still hard to see whether the fresh air has stimulated a fitter and leaner industry, or simply given it a cold.

As might be expected, Mr David Mitchell, Transport Minister, has no such doubts. He said yesterday that deregulation was so successful that he envisaged it being extended to London, the only area excluded, by the early 1990s.

Mr Mitchell claimed experience had borne out Government predictions that competition would stimulate new services, cut costs and reduce taxpayer subsidies. The evidence, he said, was in the statistics: bus mileage up 12 per cent overall and 17 per cent in rural areas; subsidy bills down by £40m a year.

There is also evidence that operators' costs have been reduced by the pressures of competition: Greater Manchester Buses, for instance, has reported costs per mile down 23.5 per cent, while miles per employee are up 23 per cent.

The Government also says that competition has stimulated a flood of new operators and prompted extensive innovation, such as the introduction of minibuses.



David Mitchell: deregulation has been a success

These latter claims do not bear too much inspection, however: only 442 new operators have entered the industry, compared with about 1,500 before deregulation, and there is competition on only a small percentage of routes - probably not much more than 3 per cent.

Ministers will not admit it publicly, but they are known to be disappointed that the private-sector share of the market is up only five percentage points to 13 per cent.

There is also no doubt that the move away from traditional double deck buses towards minibuses was well under way before the 1985 Act took effect, though the legislation may have speeded up the process.

Mr Mitchell's confidence is not echoed by opponents of deregulation. The Public Transport Campaign Group, for instance, which represents a group of Labour-run county and district councils, says deregulation has caused chaos, confusion and cuts in services.

Mr Alex Waugh, the group's chairman, points to the Government's own figures for the low level of competition as evidence that opening up the industry to market forces has been a failure.

"Competition is restricted to profit grabbing on routes that were already well served, while elsewhere there is less choice and a lower quality of service," he says.

"Even these statistics hide the true social cost of deregulation - the cost to pensioners who cannot get to the shops; to parents who struggle to get their children to school; or to women who do not dare travel at night, fearing long waits in dark streets for a bus that may never come."

Mr Waugh's comments reflect the thrust of complaints by opponents of the new system, which centre on the effect of changes in bus routing and timing on the most helpless section of the community.

They claim that evening, Sunday and rural services have been cut almost everywhere; that consumers often cannot keep up with frequent timetable changes; and that reduced fares for children and pensioners have disappeared in some areas.

Some of these criticisms conflict with government figures, which are based on research by the Independent Transport Road Research Laboratory.

But there is independent evidence that others are true: Mr Ralph Roberts, chief executive of Greater Manchester Buses said recently that customers had lost the benefits of an integrated transport system and were confused by continually changing publicity.

Mr David Smith, the former general manager of Cardiff metropolitan buses, now a business consultant, says there is no

doubt that off-peak services have been hit. But, on the basis of 41 years in the bus industry, he says this is the culmination of a trend that started in the early 1950s.

If it appears to be speeding up, this is because too many services were kept in place by licensing constraints long after there was sufficient custom to justify them, he says.

In a study of deregulation delivered to the South Wales section of the Chartered Institute of Transport, Mr Smith concludes that the Government was justified in many of its claims for deregulation.

Even the apparently low level of competition was providing a significant benefit to consumers by keeping operators on their toes, and there had been big savings from the abolition of outdated manning agreements and closure of unneeded depots. But there was unlikely to be a reversal of the declining trend of bus usage over the past three decades.

A little over 20 years ago, Mrs Barbara Castle, as Labour Transport Secretary, shook up the public transport world by declaring that there was no place in the bus industry for profits.

It is likely that approach lies at the root of the Government's determination to succeed with deregulation - described by Mr Paul Channon, the Transport Secretary, as "a quiet revolution".

In the long run, the Government may come to regret its high profile promotion of the benefits of this revolution because it may have raised hopes of a dramatic improvement in services which cannot be fulfilled.

For the moment, however, it can at least claim not to have made things any worse.

# Voluntary pension arrangement begins

BY ERIC SHORT, PENSIONS CORRESPONDENT

FROM TODAY employees will be able to make their own arrangements for boosting their pension benefits by paying extra contributions.

The Free Standing Additional Voluntary Contribution scheme, first announced by Mr Nigel Lawson, Chancellor of the Exchequer, in this year's Budget, comes into operation.

However, employees will not have a great variety of choice. Only a handful of life companies will be marketing FSAVCs today, including Allied Dunbar Assurance, Legal and General Assurance, Royal Life and Equitable Life Assurance - the largest player in the AVC market.

Until now, employees could boost their pensions only

through an in-house AVC arrangement with the main company pension scheme, if such an arrangement existed.

Although most large and medium employers with a company pension scheme have such in-house schemes, company schemes will not be legally obliged to set up an AVC arrangement until next April.

The introduction of FSAVCs has caused considerable debate. Employers and company pension scheme administrators have found the administration required by the Inland Revenue particularly controversial.

Although an FSAVC is an arrangement between the employee and the life company or other provider, the Revenue rules

require the pension scheme trustees to monitor the ultimate amount of benefit to prevent overfunding and to provide the life company with information so it can monitor contributions.

Although the Revenue has modified its original proposals on monitoring benefits, the trustees are still left with an onerous administration burden and considerable responsibility.

It is not certain that employers have a legal responsibility to provide information. There are, as yet, no penalties in the rules for trustees who fail to provide information when an employee wishes to take out an FSAVC.

However, Mr David Campbell, a partner in Bacon and Wood-

row, a leading firm of consulting actuaries, and head of its research department, advised clients at a seminar last week to comply with the rules.

He told clients they should first provide their own information forms to send to life companies and avoid having to deal with a variety of different forms from different life companies.

Second, he advised them, where appropriate, to improve their own in-house AVC and make it more attractive, paying particular attention to investment performance.

Finally, he urged company pension schemes to communicate to employees the benefits of an in-house AVC, highlighting the lower expenses compared with an FSAVC.

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EUROPE'S BUSINESS NEWSPAPER



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## THE MONDAY PAGE

## In search of a new internationale



JOHN LLOYD

THE FEVERED events of the past week have shown that socialism, or at least the economic instruments to which its democratic form adheres, is not dead and is probably not stable. They have also shown that modernising British se-

cialists, to the left and right, have sensibly despaired of having much influence on the state and are looking elsewhere for a role.

The obvious point to make in this regard is that by acting to pump liquidity into a system suddenly in chaos, the US Federal Reserve showed it simply could not accept the consequences of an unregulated market. Would that governments and supra-national institutions, like the European Community (EC), had been as rapidly and impressively exercised over 12 per cent unemployment in western Europe.

For many observers, the message is that the crashing market will enforce a more interventionist stance on governments which currently profess laissez faire policies. So the correction will not just have been to overvalued stocks, but also to overvalued market principles. It is one thing to note that the market's superior allocative efficiency is being recognised all over the industrialised world, including the state socialist part. It is another to push that recognition to the point where the market pre-empt basic political decision-making.

Yet this possibly seismic shift is taking place when the left in Europe lacks much of an alternative perspective. The one thing the left - the inside left, at any rate - did not say in the past week was that this was the collapse of capitalism, and that it was therefore time to slay the prisoners' chorus from Fichte. On the contrary, it was time for a sober shaking of heads. Mr John Smith, the shadow Chancellor and Mr Tony Blair, Labour's spokesman on the City, echoed leading City figures in their calls for more international management, regulated capital flows and managed exchange rates. As they were doing so, Mr Gerald Kaufman, the shadow Foreign Secretary, was making an equally statesmanlike call for a United Nations force to take over petrol duties in the Gulf.

The reflexes of the left are changing its internationalism is becoming not simply an abstract article of faith with little practical meaning, but a real alternative, or at least a

corollary, to opposition in the national arena. From being among the more insular and narrow of major European parties, the British Labour Party is now looking about eagerly, almost wildly, to find international support and examples which it can follow.

This is put particularly starkly in a paper, entitled an Alternative to Trade Wars, organised by a coalition of trade unions and leftist organisations. The paper, produced for a conference next month, is by Mr Terry Ward, of Cambridge University's department of applied economics, and Mrs Frances Morrell, until recently leader of the Inner London Education Authority and formerly political adviser to Mr Tony Benn, when he was Industry, and then Energy, Secretary in the 1974-79 Labour governments.

The opening paragraphs of this paper, meant as the keynote to the conference, say: "Nation-state socialists, all over western Europe, have tried to resist the implications

of the internationalisation of capital. They have tried to maintain separate national economies which they could, after electoral success, manage and plan. Some have pursued the objectives of centralised planning 1945-style. Others have developed a free-market alternative. All have based their programme on the assumption of national economic management. All have lost.

The European economy is almost unified: the old frontiers, in economic terms, are scarcely visible. What few divisions remain are scheduled for abolition. The intellectual basis for nation-state socialism, which Labour has supported since 1918, has disappeared. Labour's future is European.

The intention of the conference, to consider, with fellow socialists from Europe, whether we can concert a plan to make the European economy work in the interests of all Europeans, is certainly over-ambitious in the short run. But in

the longer run, the left parties in Europe will have to develop a response to the accelerating plans, under EC Commissioner Lord Cockfield's tutelage, to sweep away the remaining barriers to trade and unify the market. From the evidence of fraternal discussions in Strasbourg and Brussels, the consensus from France, West Germany and Italy leans towards acceptance of the trend while seeking to ensure that social and welfare rights are strengthened.

This is an important turnaround: dramatised by the fact that Mrs Morrell once served as adviser to a man who saw the Common Market as the block on any kind of national decision-making and - as the unreformable agent of multinational capital - on any kind of socialist advance. Mrs Morrell's political trajectory has been more open and public than most, but it is far from unique among the party's soft left leadership. Labour is trying to be the new Europeans.

For Mr Benn, the evidence of the past weekend at Chesterfield is that he has confirmed himself as benefactor of the far left. The Chesterfield conference was noisy, fractious and few new ideas emerged. The main focus of attack was "new realism", a code for Labour's leadership. Many of those attending, and causing most disruption, were from Trotskyist groups.

A common theme - and potentially an important one - was a call for local and regional action: a recognition, shared with the hated new realists, that the central state is out of bounds for the time being. As the leadership looks for an international stance, so the left opposition looks for local "red bases". It can win and hold against the tide of "monetarist" values, which Mr Benn sees as having created a consensus among the British political elite, left and right.

But even among the fundamentalists, there is a recognition that the British nation

state is too small a focus for effective action. A crucial passage in the lengthy introductory paper to the Chesterfield conference reads: "The determination of capital to complete the EC internal market, so that there will be the same rules on, say, subsidies or the movement of capital in all parts of the EC, creates the space for demands for an alternative 'social Europe'. Why not launch a campaign in Britain for West German-level dol, say, or Dutch pensions, or Danish social security payments? Around these and other issues there are numerous opportunities for alliances of radicals, socialists and labour movement militants in the unions, local authorities and specific campaigning groups."

As the left 'joins' Europe so the need to pull on levers put decades ago by the left. Perhaps in international co-ordination and management, the left can find a germ of the big idea it will need to construct to counter Thatcherism in the nation state.

John Lloyd is editor of the New Statesman

## Not the place for Piggott

IT IS HARD to deny the public's visceral interest in the three-year prison sentence passed on Lester Piggott for defrauding the Inland Revenue on a massive scale over many years. Whether he merited such a draconian punishment, there must be many who feel that he has both suffered rough justice and been at the receiving end of the unequal distribution of justice.

The Inland Revenue, unlike the police, is not a public body which guards against fraudulent claims for social security benefit, do not ordinarily regard it as their duty to use the criminal process against tax defaulters. Their prime aim is to fill the coffers of the state with the taxes legally imposed and due, and to apply administrative penalties in the form of treble the amount overdue. The fraudulent taxpayer can expect to escape the clutches of the criminal law, and hence the adverse publicity attaching to court appearances, by quietly putting up with his hand. The worst that can happen is a considerable devaluation of any acquired fortune.

JUSTINIAN

Piggott's crime, in the eyes of the prosecuting tax inspector, by declining to reveal all once it was clear that the authorities had uncovered his fraud. There is no doubt that his persistent refusal to disclose all his defalcations was the one thing that got up the judge's nose and sealed his fate.

It is difficult to understand Piggott's obstinacy, other than through the fact that stubborn resolve was his major characteristic on the turf. In the end he has apparently paid over all the tax owed, and there is more to come. Unlike the drug smuggler or the corporate fraudster, he had not successfully salted away his untaxed profits, out of reach of the grasping taxman. Of course, Piggott is distinguishable in that he was not stealing other people's money, but trying to deny to the state the due proportion of his presumably lawfully acquired gains. We are his victims, but only very indirectly.

Where does this leave the sentencing policy of our penal system? It was Mr Justice Farquharson who was berated by the media (including this newspaper, but not this columnist) for not having sent Mr Geoffrey Collier to prison last July for a major infraction of insider dealing. If prison was the ap-

propriate desert for Mr Collier, it is a pity that the judge's order that Piggott should go to prison. Mr Collier's offence had only recently been made a criminal one by statute. Moreover, it does not necessarily involve dishonesty, although that concept seems to have become misshapen in the hands of the judiciary in the case of Mr Keith Best (doubtless, multiple applications will be very welcome in the case of the British Petroleum offer, instead of bringing down upon multiple applicants the wrath of the law).

Yet what useful public purpose is served by Piggott's sentence?

Given the precepts of contemporary penal philosophy in this country, punishment is meant, among other things, to act as a deterrent on those who might seek to emulate the malefactor. There was no possibility that Piggott could avoid an immediate, substantial term of imprisonment. But are any taxpayers likely to be halted in their defrauding inclinations because of what has happened to the country's former leading jockey? That the sentence is meant to deter cannot be doubted. That it does deter is highly questionable, and is merely an article of faith among judges and lawyers.

The trouble is that imprisonment is still seen as the core of the penal system. It is the instinctive penalty that the courts reach for in the case of serious offending. Whenever they can do so, for some sound reason or in mercy, the courts are prepared to mitigate the harshness of what has happened to the offender by suspending all or part of the sentence. But this can be done only for sentences of two years or less. Where, however, the sentence is insubstantial, prison on it has to be.

But must imprisonment be the sanction for the non-violent offender who cheats the state and does not harm directly any individual? Can we not think of a better way of registering our displeasure?

The alternative is to create a kind of second-class citizenry for those whose conduct has been demonstrated to be socially unacceptable, although not physically dangerous. A denial of a passport, a requirement to reside in a particular area of the country, a variation of the probation order - reporting to an authority for supervised activity. The trouble about these kinds of sanctions is that they call for elaborate enforcement procedures. But since people are talking of introducing electronic tagging for burglars and the like, what about electronically imposed restrictions on the free movement of fraudsters? Imprisonment is much too easily employed.

As Oscar Wilde observed in the Ballad of Reading Gaol: "All we know who lie in gaol is that the wall is strong." Strong walls and cell locks seem crudely inappropriate instruments for dealing with a national sporting hero, however fiscally venal his offence was.

## INTERVIEW

FOR JOHN REED, chairman of Citicorp, there was much to be learned from what last week's Wall Street crash meant: the best buying opportunity he was likely to see for some time. On Tuesday morning, when the Dow Jones fell more than 500 points, he got his board's approval to spend \$250m on 5m Citicorp shares and boost his company's earnings per share. By mid-week he was snapping up stock at \$45 apiece - not bad considering he had made a rights issue at \$58 only a month before.

It was a bold stroke, typical of the man who in May rocked the banking industry with his decision to make a \$3bn reserve against his Third World loans. Such actions have given Mr Reed the reputation of being more than a little bit of a risk taker to the traditions of America's largest and most aggressive bank.

But the image and the man do not easily match up. Reed is a youthful 48-year-old who likes to sprawl across armchairs and use phrases like "hey guys". The tough side of him owes more to his passion for order and progress than to any obvious delight in wielding power. "I take my responsibilities very seriously," he says with disarming earnestness, as if this might at some time have been in doubt.

His huge Park Avenue office in mid-town Manhattan is carefully designed to reinforce the

sudden collapse? Was it Washington's fault for failing to get to grips with the budget deficit? "No, I don't think so, though I am not a fan of the deficit. I think it was the uplink in interest rates that became very clear when US interest rates got up into 10 per cent. All of a sudden the trade-off between debt and equity needed a little shifting."

Mr Reed expects the Fed to mock about two percentage points off US growth in the next 12 months, which he thinks might otherwise have been about 3-4 per cent. "People will feel less wealthy," he says. But with luck, the shock should trigger action in Washington to bring federal spending under control. All this should also create a room for manoeuvre for the monetary authorities and take pressure off interest rates. That, in turn, will make life easier for US corporations and banks, and Third World countries grappling with their debt problems.

In fact, the crash underlined the wisdom of Mr Reed's decision to strengthen Citicorp with his \$3bn provision. "I feel very good about that," he says. "It has given us a degree of flexibility we did not have before." His approach to the provision is typical of a man who describes himself as "a very practical kind of a guy" who constantly draws up lists of things to do and measures his progress "an inch a day."

The Third World was on his mind in 1977. He confessed it was not a subject he knew much about (he came up through Citicorp's consumer banking side). He read voraciously about the area, about 1978. "I decided early on that I had to somehow get it behind us, otherwise it would become a time-consuming problem. It was very clear to me that we had not provided appropriately for that risk. I did think we were eventually going to return to a normal situation, but clearly the market did not believe us. We had not got it right yet. So I made the reserve because it seemed to me to be the right thing to do. There wasn't much more than that. It wasn't that I like to shock people."

Many people have seen in Mr Reed's action an implicit criticism of his predecessor, Mr Walter Wriston, who was driven by a desire to see Citicorp's earnings on an ever-rising par. So Mr Reed is sensitive to this, and prefers to talk of a contrast in management styles based on the same fundamental ideas. "I'm more hands on than Walt," he says. "In general, I fancy myself a manager. The thing I get pleasure out of in life is building things."

Certainly, Mr Reed's relative youth gives him the luxury of time to see beyond the next quarter's earnings, and to try to map the future for his vast organisation of 90,000 employees and \$200bn in assets. He describes himself as an interpolator - someone who works out the best way to get from here to there - rather than an extrapolator - someone who extends present trends. Most bankers, he thinks, are extrapolators. "I really do have a pretty good idea of what I want the place to be ten years down the road. I want it to be a global financial enterprise operating in every market in the free world. I want us to be evenly distributed. If



## Two decisions a year

David Lascelles talks to John Reed, one of banking's iconoclasts

You look at other big banks like Barclays and Deutsche Bank, they're heavily tilted geographically. We are not. We are much more evenly divided between markets, and we have a particular attraction to companies who deal globally."

A key part of that stratagem is to build up Citicorp's retail banking side, which he sees accounting for 50-60 per cent of its total business, compared to under half now. He even predicts that Citicorp will have 70-100 branches in Japan, a market viewed as a virtually impenetrable thicket by most other banks. Retail banking, he says, is a wonderful franchise because of the quality of the business and the deposit base it gives you. Citicorp has two customer bases at the moment: international companies and some 25m retail customers, many of them holders of Citicorp credit cards.

Mr Reed wants to add a third group: the private sector. He wants to buy the products created by his evolving investment banking division. The big items on Mr Reed's list for 1988 are to strengthen the investment banking division, and enlarge Citicorp's share of the corporate banking business outside the US. "We are horribly under-represented in Europe," he says. Much of Citicorp's growth, he predicts, will have to come from acquisitions.

But will Citicorp's future not be dogged by the Third World

debt problem? Mr Reed has, after all, been quoted as saying that he does not believe these loans will ever be paid back. "What I am saying is that we must try to get these countries to a position where they can return to the credit markets. We are not asking them to repay all their loans. Over time they will regain access to those markets, and they will cease to be a burden on the banking industry."

What of the regulatory constraints which inhibit the expansion of banks in the US? One reaction to the market crash was that it would set back efforts to reform the Glass-Steagall Act, which was passed in the wake of the 1929 crash to prevent banks owning corporate securities. Mr Reed rejects that view. "We already have had major regulatory reforms," he

said, referring to the easing of interest rate ceilings and barriers to inter-state branching. "Glass-Steagall is already gone. They're just figuring out a way to bury it." If anything, Mr Reed argues, the crash will have reinforced the need for strongly capitalised institutions like banks to stand behind the Wall Street houses, particularly if some of them now fail.

The rigours of managing Citicorp have forced Mr Reed to husband his time carefully, despite his efforts to preserve informality on the executive floor. He tries to spend only one week a month on operational matters so as to devote more mental energy to strategy. Even so, he reckons he takes only two decisions a year, and spends the rest of the time acquiring the infor-

mation to make them. Travel is his biggest bugbear - something he seldom had to do when running the retail banking side. But he insists on total separation of his children and family life.

"When I'm gone I'm gone. No one calls me at home or at night without good reason, and I don't call people then either. I could live without reading a newspaper for two weeks and survive very well. The previous evening, he said, he had put on his jeans and tried to help one of his children do science homework, but he was baffled by the equations. He relaxes by playing golf and reading history and science books "never fiction". Would he recommend banking as a career? "If you have any instinct for it, it's a fun business. It's changing a lot."



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## APPOINTMENTS

## Five-year chairmanship at BRB

Mr David Ingram has been appointed chairman of the BRITISH WATERWAYS BOARD for a period of five years. Dr Alan Robertson, who has been acting chairman since Sir Leslie Young's departure at the end of June, will continue as vice chairman.

Mr Ken Lever has been appointed to the newly-created post of finance director of CORTON BEACH. He was with Arthur Andersen.

Mr Ray Box has been appointed managing director of AUTOLOGIC EUROPE INC., St. Albans. He succeeds Mr George Wood, who is now chairman of parent company Volt Information Sciences Inc's European operations.

Mr Derek Nuttall has been appointed to the board of OLDHAM CROMPTON BATTERIES as finance director.

Mr Richard Crick, Mr Tim Martin and Mr Richard Ramsay are joining BARCLAYS DE ZOEETE WEDD early in the New Year as directors in its corporate finance department.

PEAT MARWICK MCINTOCK has appointed Mr Peter Cratchett as head of pensions consultancy services. He joins from Sedgwick.

CITICORP INSURANCE BROKERS has appointed Mr Rod Carbery as chairman and managing director of the UK retail division. He was commercial director with Hogg Robinson.

## Personnel manager

Mr Tim Ovington has been appointed group personnel manager of HUNTER SAPHIR, a newly-created post. He was with Pedigree Petfoods.

Mr Mark Smith and Mr Wolfgang Kneusels have been appointed to the board of E.P. MARTIN.

Mr Norman Penny (British Telecom) has been appointed chairman of council of the INSTITUTION OF ELECTRICAL AND

## ELECTRONICS INCORPORATED ENGINEERS.

Mr C. Niel Dunbony has been appointed a director of the SCANDINAVIAN BANK GROUP. He is chief financial officer.

THE LONDON INVESTMENT TRUST has appointed Mr J. Michael Middlemass as chief executive officer. He was managing director of Transatlantic Holdings. Mr John Botta has been elected non-executive deputy chairman.

Ms Caroline Olfendick has joined the board of W. & F.C. BONHAM and becomes director of the pictures department. She was manager and principal auctioneer of the watercolours department.

Mr Neville Bowles has been appointed to the main board of EASI-LIFT. He was head of its building division.

LONDON FORFEITING COMPANY has appointed Mr Raphael Prosser as an associate director. He was director in charge of forfeiting at Hungarian International Bank.

Mr Stephen King has been appointed director, group financial control, for INCHCAPE. He will have specific responsibility for strengthening the links between group headquarters and operations in over 60 countries. He was a finance director in the Ladbroke Group.

Mr Christopher Keeling will become chairman, and Mr Charles Yeldham is appointed managing director of FENCHURCH UNDERWRITING AGENCIES on November 9. On that date Mr Geoffrey Knight, chairman of Fenchurch Insurance Holdings (a member of the Guinness Peat Group), will relinquish the chairmanship of its wholly-owned subsidiary Fenchurch Underwriting Agencies, but will remain a director.

Mr Doug Holler has been appointed administration director of UNIVERSITY MEDICAL & GENERAL, wholly-owned subsidiary of Burns Anderson. He was managing director of Bristol-based brokers Gordon Squire.

Mr Andrew Maclean has been appointed managing director of ABELSCOT GROUP. He held a similar position with Domino Printing Sciences. Mr Michael Wisand has resigned as finance director.

TECHNITRON has appointed Mr D. Leighton Davies as a non-

executive director. He is chairman of F-International Group.

Mr Brian Long, managing director of ACORN COMPUTER GROUP, is to resign at the end of this month on completion of his initial assignment. Mr Bruce Soggin, chairman, will also become managing director.

Mr Dennis Mahoney has been appointed managing director of CONTROL DATA (U.K.). He was managing director of Control Data in South Africa. Mr John Harkness becomes director sales. He was with the Harris Corporation, Florida.

Mr David Thomas, group marketing director of the AUTOMOBILE ASSOCIATION, has been elected an executive member of the AA committee.

Mr S. Christopher Birks has been appointed financial controller International of FLEXUS COMPUTERS, Swindon. He was with Newbury Data Recording.

Mr David Hindle has joined the main board of CONSOLIDATED TERN INVESTMENTS and has been appointed chief executive of Tern Building Group. He joins from Wimpey Construction UK where he was a regional director.

BRITISH GAS has appointed Mr David Hough as manager, energy policy department.

Mr S.M. Ingram has been appointed an associate director of LLOYD THOMPSON.

Mr Paul W. Dalton has been appointed technical director of VOLUMATIC, Coventry, a Halma subsidiary. He was technical manager.

Mr Tony Carey has joined the board of ST. GEORGE, which is jointly owned by The Berkeley Group and Spayhawk. He was technical manager of Barrat Central London.

Mr Robbie Burns has been appointed managing director of KFC DISTRIBUTION GROUP, part of the National Freight Consortium. He replaces Mr Ron Irens, who has joined sister company British Road Services as group managing director.

TITMUS SAINIER & WEBB has appointed Professor John Adams of Queen Mary College, London, and chief examiner of the Law Society, as director of training and education.

Mr Christopher Barras has been promoted to the board of DANIEL J. EDELMAN as director of the corporate division.

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## UK COMPANY NEWS

Michael Donne on the bumpy run-up to the ruling on the BA/BCal merger plan

## British airlines climb into a patch of turbulence

PRESSURE for and against the proposed merger of British Airways and British Caledonian is mounting as the November 6 target date for the report from the Monopolies and Mergers Commission looms just less than two weeks away.

This pressure is not aimed at the Commission - after the original submissions it is no longer open to such lobbying, and anyway its report is probably largely written by now.

It is directed more at MPs and the Government in a bid to ensure that whichever way the decision goes, each side gets something out of it.

As the deadline draws closer, the UK airline industry is becoming increasingly jittery. The two sides in the battle, BA/BCal and the hostile independent airlines, are united in only one thing - that there should be as little delay as possible, not only by the Commission in getting its report to Lord Young, the Secretary for Trade, but also by Lord Young in deciding in turn what to do with it.

Views on the likely outcome are evenly divided. The BA/BCal camp believes the Commission will recommend the merger. However, it recognises that the Commission may urge some safeguards to meet the smaller airlines' fears of anti-competitive behaviour from the

greatly enlarged BA, especially at Gatwick airport, where hitherto BA has had only a small presence.

BA would be prepared to accept that situation, for it believes that, despite the hostility of the smaller airlines, there would still be many opportunities for their expansion. These would extend even to taking over some of those routes where BA and BCal already fly in competition - such as in Western Europe and on longer-hauls to Hong Kong, Tokyo and Los Angeles.

Indeed, one major independent, Air Europe, has already applied for rights to fly scheduled services between Gatwick and many European destinations already flown by BA and BCal. Virgin Atlantic has applied for Scandinavian routes and also wants to fly on some of the BA/BCal long-range routes, such as to Los Angeles.

BA does not like to talk publicly about what it would do if the Commission rejected the merger. But privately it argues that such a decision could in turn be over-ruled by the Secretary for Trade, and implies that it would try to achieve just that.

BA is more relaxed than BCal about what would happen if the merger bid fails. Recent statements by Sir Colin Marshall,

chief executive of BA, indicate that BA is set on a course of expansion and is ready and willing to "think globally" if it cannot acquire BCal.

Sir Colin told the Chartered Institute of Transport recently that "some of our British competitors claim we are too big, but we look at some of our international competitors and feel very strongly we are too small".

BA points out that at present, with 17m passengers a year, it ranks as only number nine in the list of the Western World's biggest airlines. Number one is the US conglomerate Texas Air, five times the size of BA and with more than 85.5m passengers a year. Even if it takes over BCal, BA will still be only ninth, with about 19.4m passengers a year.

It is not only the growing power of the big US "mega-carriers" in international markets, especially across the North Atlantic, that concerns BA and is forcing it to think of expansion.

It argues that many other European, Far Eastern and Asian airlines are also expanding and moving into markets upon which BA relies for much of its business.

It points that, for example, on the London-Sydney route alone there are no less than 15 other airlines, each of which, by putting together traffic rights be-

tween London and its home capital and between the latter and Sydney, can legitimately fly end-to-end London-Sydney traffic in competition with BA.

BA also argues that of the total market of 34.5m international scheduled passengers flying to and from the UK every year, some 57 per cent are carried by foreign airlines, with BA carrying 33 per cent. British Caledonian 5 per cent and other UK airlines the rest.

On charters, BA claims the balance is weighed more heavily against it. Out of a total market of 22.1m passengers a year, BA, BCal and their own charter subsidiaries collectively account for 18 per cent, and foreign airlines 19 per cent, with other UK airlines taking 63 per cent of the market.

BA uses these figures to dismiss the claims made by charter operators at Gatwick that the bigger BA presence there after the merger would result in them being squeezed out.

BA could undoubtedly survive failure of the merger plan. The big question is, could BCal?

Its financial position is weak. It has heavy new aircraft equipment bills for Airbus and MD-11s to meet, and many doubt its ability to survive alone in an increasingly competitive environment. Its best solution would proba-

bly be to find another partner - and it is known to have been discussing such a move with foreign airlines before the BA bid emerged.

BCal's problem is that no one is likely to offer a comparable price with BA's £237m - which, in the light of the recent collapse of share prices, is now effectively worth about £170m.

So far, BCal has resisted the approaches of International Leisure Group, run by Mr. Harry Goodman, which is prepared to offer more than £100m for BCal. The latter did discuss a link with Mr Goodman last year, but the proposal fell through after some weeks of talking. If the BA deal also falls through, BCal might have to reconsider its at-

titude to Mr Goodman. In any event, the other independent airlines remain unconvinced by what they see as posturing by BA and BCal designed to achieve a result that is not just desirable for BA but essential for BCal.

Some believe that anything would be better for the UK industry as a whole than a BA takeover of BCal - even another airline, either UK or even foreign-based, acquiring all or part of its shares.

In their own evidence to the Commission, the independents have argued strongly that if the merger is permitted they must have the strongest possible safeguards to protect their interests.

## ACCOUNTANCY

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## Tokyo Electric

## A power to be reckoned with

Ian Rodger describes how the private utility is consolidating its position

SOME COMPANIES are lucky. Take the case of Tokyo Electric Power, the world's largest privately owned electric utility.

That rank would not have seemed possible for a company which 30 years ago was scrambling to find funds to build power stations to drive the Tokyo area's industrial development. But today TEPCO seems to be in an unbeatable position. Its operating territory is the fastest growing region in Japan and one of the wealthiest areas in the world. This provides a big boost for the company's core business, generating power and distributing it to the 13.3m households and 2.5m institutional customers in the Tokyo area.

TEPCO also has huge property holdings in the Tokyo area, which have soared in value in recent years. And it is in a privileged position - with a distribution infrastructure already in place - to diversify into other fast growing utility sectors, telecommunications.

The company has been quick to take advantage of the government's liberalisation of the telecoms sector in the past two years, and many analysts expect it will soon be a major player in that industry too.

All this has been very good news for TEPCO's shareholders. The shares have been among the most popular in the Tokyo stock market boom of the past two years, rising from ¥3,000 in January 1986 to a peak of ¥8,420 early this year. Even in last week's upheavals they only eased to the ¥6,000 level.

There was additional excitement last year because the company - lucky again - was able to benefit much more than other Japanese power companies from the slump in world oil prices, thanks to the use of the conveyer theory by the Japanese authorities in regulating the electric power industry.

Under the conveyer theory, conditions are set so as to enable the weakest supplier to survive - or keep up with the conveyer. In the Japanese electric power industry, this means that electricity rates are set so that even the smallest utility can survive. Last year, the Japanese Government imposed two rate reductions on the companies so that customers, too, would benefit from the drop in oil prices. But, thanks to the conveyer system, the cuts were relatively modest. As a result, the companies were able to keep a consid-



erable portion of the reduction in their oil import bills. This windfall was largest for those companies with the greatest dependence on thermal plants, and TEPCO comes top of the table in that respect.

Thanks largely to these oil profits, the company's pre-tax profits in the year to March 31 1987 totalled ¥44.1bn (£1.9bn), 39 per cent higher than in the previous year, and its pre-tax profit margin was a hefty 11.3 per cent.

No one expects this sort of growth rate to continue, at least not until the fruits of the company's diversification begin to come through, but TEPCO will remain a centre of attention in both its industry and on the stock market.

TEPCO is one of the leading companies on the Tokyo Stock Exchange, not only because its market capitalisation of nearly ¥8,000bn ranks it second only to Nippon Telephone and Telegraph on the market, but also because the shares are widely held and traded in heavy volume.

TEPCO and the other electric power companies are unusual among large Japanese companies in having no close ownership links with the big industri-

al groups, such as Mitsubishi and Dai-ichi Mutual Life Insurance Company, Nippon Life and the Tokyo Metropolitan Government, together holding only 12 per cent of the total. On a typical trading day, more than 1m TEPCO shares change hands on the TSE.

Within Japan's electricity industry, TEPCO is the unquestioned leader of a group of nine quoted companies, each operating exclusively in a particular region. Together, they generate 83 per cent of Japan's electricity. The remainder comes from a few private industrial companies, such as aluminium smelters, that generate their own power, and a small government-owned company, Electric Power Development Corporation (EPDC) that was set up in the 1950s to supplement the utilities' construction efforts. This regionalised, private sector structure has existed for most of this century, except for a short period of nationalisation during the Second World War.

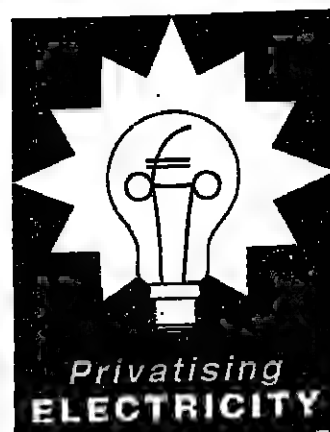
Indeed, Japanese electricity industry officials are rather amused to see privatisation now becoming popular in other countries, such as the UK. On other respects, the Japanese

electric power system is an unlikely model. For example, it operates on 100 volts, different from the world's two main standards. Also, half the country runs on 50 cycles and the other half on 60 cycles.

The nine leading companies produced 501,400 gigawatt hours of electricity in the year ended March 31 1987. Of the nine, three, TEPCO, Kansai Electric Power (which serves the Osaka-Kobe area) and Chubu Electric Power (Nagoya area) stand far above the rest, together accounting for two thirds of the group's sales. TEPCO alone accounts for nearly a third.

The nine companies and EPDC manage Japan's national electricity grid through the Central Electric Power Council, but the grid is mainly there for emergencies and for transmitting power generated by companies outside their operating territory. TEPCO, for example, has several nuclear and hydro plants located well outside the Tokyo area.

All the companies aim to be self-sufficient in terms of generating their own needs, and they generally succeed. TEPCO had net sales to others of only 2,476 gigawatt hours in 1985, less than



two per cent of its total supply. The regulatory environment for the companies has been relatively calm. The Ministry of International Trade and Industry (MITI) has the authority to review both their capital spending plans and their tariffs, and public hearings must be held. However, communication between the companies and MITI is constant, so there are rarely flare-ups.

Electricity tariffs are reviewed regularly, but until the oil price slump last year, had been unchanged since 1980. MITI also provides guidance to the companies on which fuels to use in their thermal plants, largely on the basis of environmental concerns.

As in France, even the development of a large nuclear programme has caused very little public controversy, partly because the companies and the government have gone to great lengths to reassure the public about the safety precautions they have taken. Also, the government defuses local opposition by providing extra economic aid, financed by a levy on the power companies, to regions that agree to accept them.

The last great row in the industry was over the selection of a nuclear technology. In the late 1970s, when policy was being reviewed, EPDC, with some support in MITI, argued for the adoption of the Canadian Candu technology, but was beaten down by the private companies which all opted for the US pressurised water reactor (PWR) system.

The regulatory environment allows the companies to be innovative. The latest idea, which has been approved in principle by the Government, is to introduce variable rates (depending on the time of day when the power is used) for residential customers. TEPCO and other companies expect to introduce the new rates early next year.

## How Japan succeeds on a sense of obligation to others

Terry Dodsworth reviews an advocacy of Confucian principles

TO PRODUCE a book such as "Taking Japan Seriously" at this particular moment requires not only learning, and Professor Ronald Dore has an encyclopaedic knowledge of his subject - but a certain amount of obstinacy as well.

It has been composed in resolute opposition to the spirit of the times, replete with advocacy of an incomes policy, Government intervention in industry, and a plea for a stronger civil service. It is almost as though Mrs Thatcher had never existed.

What does exist, of course, is Japan as an example of a highly successful industrialised community, and one that is still showing Mrs Thatcher's United Kingdom Daring or two in most areas of manufacturing industry.

Professor Dore's thesis is that this is at least partly due to a social structure in Japan in which self-interest is restrained by a deeply inculcated sense of obligation to others - the absolute opposite, as he puts it, of the rhetoric of Thatcherism and Reaganism.

In corporate terms, he draws a particularly graphic contrast between what he calls a company law firm and a community model firm. The company law type - the Anglo-Saxon model - is one that is normally associated with the pursuit of unbridled self-interest, with a strong market orientation that is exemplified by the bargaining contract: a deal between managers who are presumed to want the highest profits possible, and workers who are only interested in their wages.

In a community firm, on the other hand, there are assumed to be objectives "to which all members of the organisation subscribe, and which to some degree supersede their own private purposes."

Professor Dore relates the Japanese approach to the Confucian concept that we all start out in life with virtuous impulses, wanting to be committed to others and the community.

Europe and the US, on the other hand, are riddled with the Puritan notion of original sin: hence the idea that people only work for themselves and that governments ought to establish conditions that best channel these individualistic drives.

In broad terms, the Confucian principles lead onto all the well-known attributes of the Japanese industrial system - its concern for "fairness" towards individuals (hence the lower pay differentials), the belief in life-time employment, and the support for the overall organisation in which people work.

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The belief in mutual obligations all leads onto other helpful characteristics in a high-technology society: the emphasis on the individual's educational rights and automatic training on the job; and the ability of the corporate sector to agree on general objectives for an industry, while still competing fiercely on a day-to-day level.

It is not hard to be convinced, like Dore, that many of these characteristics are particularly well-tuned to the type of industry associated with an affluent, high technology era. Efficiency in this environment means not just wheeling and dealing, a la Ford Model T, but making sure

that quality is up to scratch, having an organisation which is quick-footed enough to change products when necessary, and creating flexibility through adequate training.

Indeed, many Western companies are themselves very well aware of this. Confucius or no, it is hard to go through Dore's listings of the attributes of Japanese companies - lifetime employment, individual dedication to the organisation, commitment to education, emphasis on the customer - without thinking of International Business Machines or, indeed, the kind of people-oriented companies selected for the American corporate hit parade in "In Search of Excellence."

But could the UK accept the kind of social engineering Dore advocates to bring its institutional structure closer to the Japanese model?

He would like to see a "fairer" wage system arrived at through a single, annual pay round preceded by detailed public discussion; he is keen on the idea of a "social dividend," another kind of social engineering Dore advocates to bring its institutional structure closer to the Japanese model.

It is hard to believe that this is a programme that would attract a glimmer of interest in Downing Street at present. Taking Japan Seriously: A Confucian Perspective on Leading Japanese Issues, by Ronald Dore. Ashland Press, £20.

## Business courses

Essential finance for managers, Birmingham, November 14-15. Fee: £225. Details from the Registrar, Ashridge Management College, Borehamwood, Herts SG4 1BR. Tel: 044234 3491 or 3311. Telex: 839434 ASHCOL G. Handling customers by phone and by letter. London, December 9. Fee: £120 + VAT (non-members); £140 + VAT (non-members). Details from IM Marketing Training, Moor Hall, Borehamwood, Herts SG4 1BQ. Tel: 06285 24922 ext 2224.

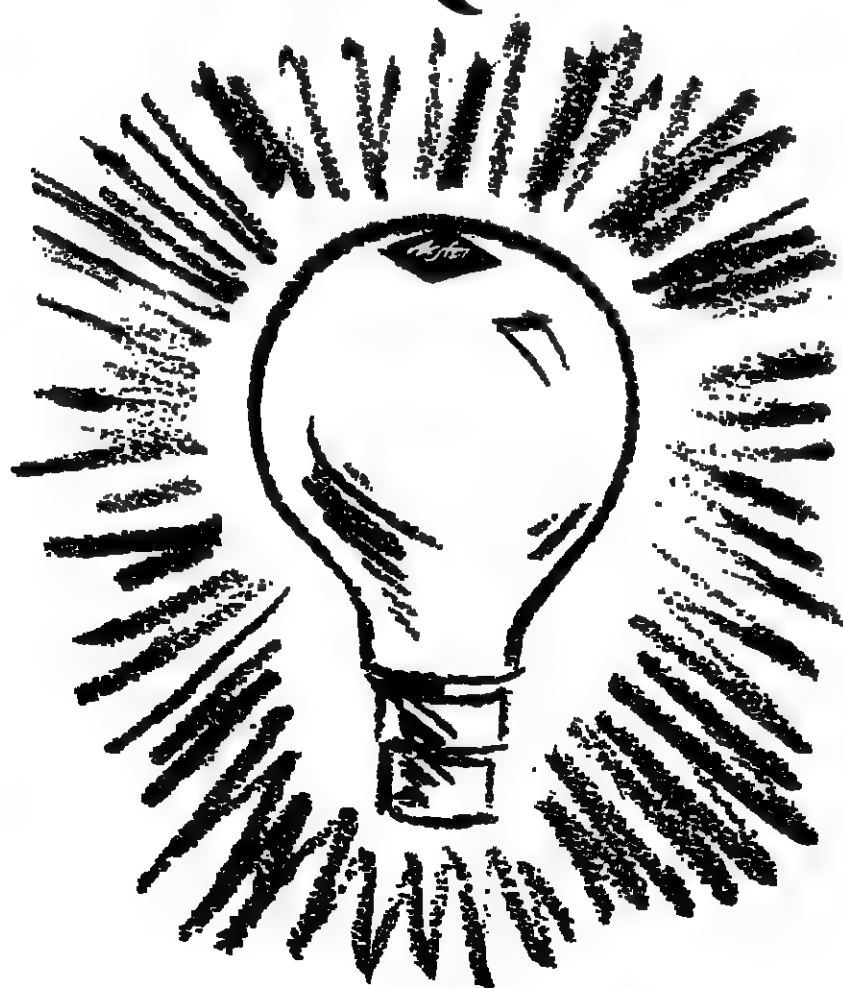
Negotiation skills for international business, Bath, December 7-11. Fee: £580. Details from Judy Smith, The Canning School, 1 Brock Street, Bath BA1 1LN. Tel: 0225 333223.

Concepts of corporate financial modelling, London, December 1-2. Fee: £200. Details from Nigel Meade, Imperial College of Science and Technology, 81 Prince's Gate, Exhibition Road, London SW7 2PG. Tel: 01-589 5111 ext 7123.

World telecommunications, London, December 1-2. Fee: £230 + VAT. Details from Financial Times Conference Organisation, 2nd floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 01-925 3333.

Understanding business finance, London, November 18-20. Fee: £245 + VAT. Details from Monckton International, 2 The Chapel, Royal Victoria Patriotic Building, Fitzrovia, London NW1B 3EX. Tel: 01-671 2544. Telex: 299180.

Personal computers in strategic management, London, December 18. Fee: £155 + VAT (personal members £135 + VAT; corporate members £115 + VAT). Details from The Strategic Planning Society, 15 Belgrave Square, London SW1X 8PU. Tel: 01-235 0244.

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The Bank of England announces that Her Majesty's Treasury has created on 22nd October 1987, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£280 million 10 per cent TREASURY LOAN, 1993  
£210 million 10 per cent CONVERSION STOCK, 1996  
£190 million 9 per cent CONVERSION STOCK, 2000

The price paid by the Bank on issue was in each case the middle market price for the relevant Stock at 3.30 p.m. on 22nd October 1987 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 22nd October 1987, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

£150 million 11 per cent EXCHEQUER STOCK, 1991  
£100 million 9 1/2 per cent EXCHEQUER STOCK, 1998

In each case, the amount issued on 22nd October 1987 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 10 per cent Treasury Loan, 1993 dated 15th February 1986, 10 per cent Conversion Stock, 1996, 1989 dated 22nd November 1985 (which contained the terms of issue of 10 per cent Conversion Stock, 1996) and 9 per cent Treasury Convertible Stock, 1980 dated 6th March 1973 (which contained the terms of issue of 9 per cent Conversion Stock, 2000) may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below.

Stock	Redemption date	Interest payment dates
10 per cent Treasury Loan, 1993	15th April 1993	15th April 15th October
10 per cent Conversion Stock, 1996	15th November 1996	15th May 15th November
9 per cent Conversion Stock, 2000	3rd March 2000	3rd March 3rd September

The further tranches of 10 per cent Treasury Loan, 1993 and 9 per cent Conversion Stock, 2000 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. The further tranche of 10 per cent Conversion Stock, 1996 has been issued on an ex-dividend basis and will not rank for the interest payment due on 15th November 1987. Official dealings in the Stocks on The International Stock Exchange are expected to commence on Friday, 23rd October 1987.

10 per cent Treasury Loan, 1993, 10 per cent Conversion Stock, 1996 and 9 per cent Conversion Stock, 2000 are subject to paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as gilt-edged securities (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

**Government statement**  
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND  
LONDON  
22nd October 1987

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## THE ARTS

Architecture/Colin Amery

## Inspirational "small" bangs

Last week of all weeks was a particularly good time to remind ourselves that not all the best bangs are the big ones. Today "Small is Beautiful" is often thought of as the wishful thinking of the 1960s, but it does indeed still have the ring of truth about it.

At the little gallery of London's Maylebone High Street—the 9th Gallery at 26 Cramer Street, London, W1—there is an inspiring small exhibition that gives rise to confident hopes about the future of architecture in Britain. Called *Four London Architects*, it shows some recent work of Chipperfield Associates, Rick Mather Architects, Eric Parry Architects, and Stanton and Williams.

The exhibition lasts until November 15 and a visit there will show that the long-awaited fresh wind is blowing through London, bringing not devastation but inspiration. That inspiration for all these four young practices is the recent much-depised Modern Movement. They see the virtues in rational, almost classical design. Inspired by real geniuses, like Louis Kahn and the much earlier Adolf Loos, they too see virtue in the perfect mixture of formal spaces and rich materials.

Each firm shows three principle schemes and some projects. There is considerable variety but, apart from Rick Mather's teaching and research buildings for the University of East Anglia, the work is on a small scale.

David Chipperfield has worked chiefly as a designer of shops, although now he has some larger jobs in the pipeline. His "Issey Miyake Permanent", completed in 1985 in

London's Sloane Street, is the architecture of high fashion. But like the Japanese clothes it sells, it demonstrates the art of restraint: as the architect points out, Miyake clothes are a distillation of tradition, which would also be a good description of the design of the shop.

Starting from the materials, making simple geometric forms—there is nothing complicated or unnecessary here. Portland stone, slate, timber and marble are the materials, and the raised platforms and clear spaces suggest the spirit of ancient Japanese architecture rather than imitating the substance.

Chipperfield is also working on a new office for the Gray's Inn Road, which is being converted into premises for a firm of graphic designers.

Designers are on the first floor, so their offices are approached by a stair that runs between a curved elm wall and a plaster wall that is scored along its length by a carved marble handrail. It is hard not to be reminded of the inset handrails of Italian palaces—fine detailing and rich materials that invoke historical associations. Steel floors and sycamore on the main floor lend an air of solid luxury that is always simple and well detailed.

The little shop in Paris on the Rue Etienne Marcel uses a similar language and materials, but all in a tiny space, enlarged by changes in level and intricate furniture.

Apart from the quality of the materials and some association references (for example Le Corbusier is recalled by the steel hand basins), Chipperfield's work always has a clear

idea behind it: clients' needs are analysed, but often answered in a lateral way.

Rick Mather is the oldest architect showing with this group and so he has more substantial work to display. I have already written in this column about his largest completed commission, the School of Education and the Climatic Research Building at the University of East Anglia. It remains an accomplished essay that adds a note of wit and elegance to the earlier campus.

His other schemes on show in this exhibition are two Chinese restaurants for the Zen restaurant group. Both are in London, and they demonstrate successfully the architects' wish to bring as much light, air, and movement into these large white rooms as possible. Water runs in a glass cascade down the entire length of one wall of the Mayfair and plants are prominent in the Hampstead one. *Ambience* is part of the secret of a good restaurant—Mather has created an original atmosphere for his Chinese clients.

Eric Parry shows one completed project and work in progress on two artists' studios, as well as fine drawings for a Villa of the Paysannes, and the setting for the Friedrich Dürrenmatt play. This temple, or is it a mausoleum, evokes both mystery and rationality in its hypothetical design.

Parry's completed project is premises for graphic designers and film animators in a conversion of an old Soho building. The facade is carefully retained, and a beautiful small entrance loggia is created: this leads to a corridor that enters a tall

internal atrium. The entrance hall is simple, using plate for the floor and painted plaster for the walls that look like Italian stucco. Green, yellow and burnt sienna are the palette, and the scale is modest until you reach the atrium that has a monumental air in a relatively small space. Parry's work is romantic and beautiful in a way that has become rare. I look forward to seeing more completed work.

Stanton and Williams are not both architects. Paul Williams is a designer best known for his exhibition work. His recent partnership with Alan Stanton, an architect from the high-tech stable who worked on the Centre Pompidou, promises interest and innovation. Their work is about to be on display in a major way—they have designed the Royal Academy's big winter exhibition devoted to Gothic art.

To display chronologically in the classical rooms of Burlington House the artistic achievements of the reigns of five Plantagenet kings is no mean undertaking. The tantalising preview at the 9th Gallery shows the Gothic style which will suggest rather than imitate it.

In the work of all these architects the past is no longer something to be afraid of—instead it is something to be assimilated and distilled. The recent past has lost its terror and is confronted straight on—not embroiled in the surface, as has been the less successful aspect of post-modern architecture. There is real integrity in the work shown, and any slight danger of preciosity will die away as the larger commissions come rolling in.



The same actors—Gerald Murphy (top) and Patrick Bailey—in "Deathwatch" (left) and "The Maids"

## Deathwatch, The Maids/The Pit

Michael Coveney

Genet's two plays, dating from the late 1940s, are not a double bill but they do irradiate comparable aspects of sexual passion through power games and erotic play. In fine new translations by David Rudkin, these intensely sensuous co-productions by the actor Gerard Murphy and the designer Ulfz at last rescue the RSC's Genet season from the innuendo of a drab balcony and a cancelled Black.

In *Deathwatch* (*Haute Surveillance*), the condemned murderer, Green Eyes, goes his fellow inmates, Lefranc, into strutting a young, pretty, petty thief, Mikkel, who shares the cell. The rituals of swagger and manipulation prefigure exactly the more familiar manoeuvres of *The Maids* (*Les Bonnes*), in which the sister-in-law, Claire, and Solange, plot the death of their mistress in a bonfire of flowers, mirrors

and lush gowns. Three actors adopt, as it were, the parallel roles, thus highlighting the erotic play-ground side of Genet's theatrical imagination. His prison, as much as his bedroom, is a closed arena where male friendships fight for survival. The cast assemble to blasts of the Mozart Requiem, and moments of high pressure and death are underpinned with Callas in full flow. But the proceedings are not otherwise infected with stock response to "The fantasy world of Jean Genet."

Here is poetic evidence of a flinty, detailed homoerotic street life and culture, as real in Genet's own *The Thief's Journal*—to which great book these dramas are formalised addenda—as in Lou Reed's *Transformer* album, which plays us out of the Barbican bowels. An elemental, sacred

mental exodus, indeed.

Gerard Murphy is Green Eyes and Solange. He makes of each a towering, uncompromised invincible. The criminal and the maid are equally buoyed up on Mr Rudkin's threatening Celtic oratory. The first is an ecstatic prowler, flexing his muscles and chest tattoo until becoming his own environment—"I am this prison. I have spies everywhere." With his docker's bulk poured into Solange's black dress and white pinafore, Mr Murphy's transvestism is a tactical ploy, not a camp indulgence.

Thus Sartre's analysis of Genet's reflective myths assumes a double dimension: the criminal dreamer is partner to the servant avenger. The same goes for Miles Anderson's biblical, pathetic Lefranc, who misreads his opportunity for transfiguration but compensates by sipping in death as the

triumphal charade-playing Claire.

These partners enact an engrossing vocal duel. Mr Murphy impulsive, pent-up and liable to burst the dam, Mr Anderson metallic cold, corrective. Their boyish playing is Farrier Bailey, a spur to jealousy in *Deathwatch*, an invitation to murder as a swiftly 1950s mannequin in blonde wig and waisted steel blue suit in *The Maids*.

Lowlife glamour is a perennial commodity in this dangerous underworld, and the slashed jeans, leather belts and begrimed vests of the prisoners are as much a uniform as the Madame's plundered wardrobe. The staging of *Deathwatch* is a particular revelation. Mr Murphy pacing the exercise yard of Kitz's elegantly transparent, rattling cage, with a sullen, simian disregard for the outside world.

## Stravinsky triple bill/Covent Garden

Clement Crip

The Royal Ballet's new Stravinsky triple bill at Covent Garden is a grandly memorable experience. Even more memorable since the credit for the success of the evening owes so much to the conducting of Bernard Haitink and the playing of the Opera House orchestra. The symphonic relationship between dance in performance and its score is all too rarely comprehended nowadays—one has but to recall the dismal accounts of *Swan Lake* this season and contrast them with what happens when the Kirov and Bolshoi Ballets present this same work by their own orchestras, showing a true partnership of intention and realisation.

On Saturday night Haitink, with his orchestra in immaculate form, produced readings of *The Firebird*, *Scenes de ballet* and *The Rite of Spring* that were exemplary as views of the score and as partners for dancing (not always the same thing, but gloriously so under Haitink's baton). *Firebird* seemed an entirely new experience, both aurally and visually. The shimmer of orchestral tone, beautifully balanced, and the clarity of texture, exactly reflected the light and shade of Ivan's adventures, the mysteries of

Katzev's realm, and the flash of the Firebird across the scene.

Haitink's tempi were excellently judged: the more than usually spacious playing of the first scene did not detract from the clarity of Cynthia Harvey's magical bird, while Haitink's feeling for the momentum of the score in the dance of the Princesses gave this lyric interlude a welcome sense of dynamic purpose. And, because the Royal Ballet is a musically sensitive ensemble, company performance was more alert, more vivid, than for many years: the power of Fokine's magical tale has rarely seemed so fresh and exciting. Anthony Dowell was the noble of Ivan, Derek Rencher a diabolical ascarab as Katzev; and how good to see Deanne Bergema back with the company as a radiant Princess.

With scores de Ballet Haitink conveyed, as in no other performance I recall in this theatre, the architecture of the score, the logic and onward progress of its action. The cast, led by Lesley Collier and Anthony Downes, was admirably responsive to the elegance of a music's style. This is one of Ashton's supreme works, the dance convincing, perfect in form like a Fabergé jewel and

so it seemed on this occasion.

The closing of *Rite* was as rhythmically bold and nuanced in orchestral sonority as one could wish—the musicians deserve every praise. There has been beneficial editing of the tribal make-up worn by the dancers (more uniform, less colourfully daubed) and the youthful energy of MacMillan's choreography was matched in the vitality and coherence of the company's electric performance.

Flour Chadwick made her debut as the Chosen One, a reading worthy of Monica

Mason's great creation and already sure in conveying the sacrificial inevitability of the role.

The evening was, in sum, one to treasure, not least as proof that the Royal Ballet, with the best musical support, can look like a professional ensemble to excellence. There are six more performances of this programme, with Bernard Haitink conducting; I recommend them unreservedly to lovers of fine orchestral interpretation as of fine dancing.

## Association of British Jazz Musicians formed

October. Britain's first National Jazz Month, has seen the foundation of a new organisation, the Association of British Jazz Musicians. The ABJM set up after discussion between Jazz Services director Chris Hodgkins and trumpeter Digby Fairweather is the first of its kind in Britain. Its aims include the promotion of jazz in every area of British cultural activity (including education), working with the Musicians' Union to improve conditions for British jazz musicians and the provision of a forum for exchanging views and expressing

ing corporate opinion.

The ABJM will publish a quarterly journal for members, set up an annual general assembly-cum-convention and offer other members' privileges including a "National Jazz Card" offering countryside concessions.

## Royal College of Art exhibition

The Royal College of Art's exhibition *150 Years of British Engineering Achievement* will be opened by Prince Philip on November 24.

## Saleroom/Antony Thorncroft

## Netsuke fanatics' field day

One of the world's greatest netsuke collections starts to come under the hammer at Christie's in London tomorrow. Jorge Borge, a collector, the Raymond Bushell, but London is still the world centre for Japanese art, and netsuke are a distinctive feature of this art: they are the carved toggles which attached the inro, the container which acted as a purse, to the kimono—garments without pockets.

The Bushell collection numbers around 1,800 netsuke. A third will be on long-term loan at the Los Angeles County Museum, but Christie's is disposing of most of the remainder in a series of auctions.

Tuesday's sale contains 350 items. Many of the great names are included. An ivory netsuke of a tiger and monkey by the 19th-century artist Masatsugu could go for £20,000. It is one of five examples of this revered figure. From the 18th century there are six netsuke by Tomita and four by his pupil, Okamoto. In fact all the most collected artists are present and netsuke fanatics should have a field day. While certain lots might top £30,000 it should be possible to secure something for less than £1,000.

Ironically, relatively few of the buyers will be Japanese: they are slow to appreciate netsuke as art, and are happier capturing the great works of

western culture. Last Thursday in New York, Christie's sold a Gutenberg Bible, or rather a large slice of the Old Testament, for \$3.2m, an auction record for a printed book.

A poignant item comes up for sale at Sotheby's on Thursday: the George Cross medal awarded posthumously to Jane Harrison, a BOAC stewardess who died while saving passengers from a blazing aircraft at Heathrow in 1968. It is only one of four GCs awarded to a woman and a price of up to £12,000 is expected. It is sent for sale by her father. On Wednesday Sotheby's disposes of arms and armour, including a rare 15th century Bohemian ceremonial arrowhead which, mysteriously, was unearthed recently in a garden—in South Africa. Its history is unknown but its provenance is certain and a price of around £5,000 is anticipated.

Rosebery's, a new fine art auction house concentrating in the middle price range, holds its first sale tomorrow evening at 3 & 4 Hardwick Street, London, the home of Bloomsbury Book Auctions. The sale ranges from a Queen Anne walnut lowboy which is estimated at up to £4,000 to a 1920s egg cruet in the form of a biplane which holds four egg cups and spoons and comes with revolving propeller and hinged tail rudder.

## The Living Room/Royalty

Michael Coveney

*The Living Room* by Graham Greene was that author's first play and the first play reviewed in these pages. On April 18, 1953, the FT published Derek Granger's sensitive and evocative notice, evidence of the newspaper's "widening range of interests."

The chorus of approval elsewhere included such various voices as J. W. Lambert and Kenneth Tynan. The season had been a notably dull one,

and here was a new theatrical recruit, in late middle age but creative prime, invigorating the eternal triangle theme with characteristic, decorative conversation on Catholic guilt, morals and adultery, the challenge to faith of the newly fashionable Freudian psychology.

The show also launched Dorothy Tutin in the role of Rose Pemberton, the young girl who has been thrown on

the eccentric domestic care of two old aunts and a crippled uncle, a Catholic priest. Her mother has died—the first in the family to have married out of the Catholic faith—and she has fallen instantly in love with an executor of the will, a safely married psychology lecturer.

The priest, as you would expect, is a failure, the young girl doomed. Their attraction for each other is underlined not so much in Bryan Forbes's production, nor in the quality of playing between Katherine Schlesinger and Paul Daneman, as in the evidence recording the lush theme from Mahler's *Death in Venice* Symphony.

The oddness of the first scene between Rose and the lecturer, Michael Dennis, is simply not sustained thereafter. This may have something to do with lines like "I loved you the night of my mother's funeral," or "I'm afraid of losing you in a world of old people." But it was, I feel, to do with the quality of Peter Blythe's reading of Michael, a genuinely smitten refugee from a decent but loveless marriage. Nobody else matches Mr Blythe's line in subtle anguish and cruel precision.

The revival has nothing new or inspired to say about the play but, even worse, gets it all wrong on its own terms. The living room is where nobody dies—"an ominously unclaimed tomb," wrote Mr Granger—and is, in fact, a converted third floor bedroom, incongruously furnished. Carl Tuner's green Greene room is a conventional, airy reception room of spacious Victorian scale.

This territory is ruled by one ferocious aunt and her timid sister-shadow. The whole point of their exchange of strength—

paralleled in the recognition of helplessness between the girl and the priest—is lost in the playing. Dulcie Gray potters jocularly around in slippers as 75-year-old Rose, and Campbell, for all her dignified beauty and croakily exotic vocal mannerism, finds senile tyranny and repressive cruelty entirely beyond her present capacity.

The full terror of being a Catholic is something nobody on the Royal's stage has begun to understand. I grant that the question itself may sound musty today. But it has to be absorbed for the play to work. Rose's shocking cry when confronted by Michael's distraught wife (Jennie Linden) in the second act is: "You can stay in his wife, I only want to be his mistress." Miss Schlesinger, in a curiously frizzed Afro hair-do that is itself disastrously anachronistic, evinces a wide-eyed naivety, that begs everyon's destruction but her own. Her desperation is a callous indulgence, not a symptom of the tragic fate Greene indicates.

The invasion of innocence by experience has many readings in *Greenland* and it was clever of Mr Granger to suggest that the onstage sextet may be haunted by a spectral seventh character. "Mr Greene himself was recording there with the powers of evil like a be-devilled St Antony in a Grunewald painting."

I prefer now to see this fascinating piece as a prophetic drawing room (the room, lounge, what you will) prototype for much subsequent rhetorical and recriminatory modern English stage comedy. At the Royal, though, they seem to be doing it out of reverence. The occasion lacks sparkle and persuasion and probably sends the play back to the library for good.

The Royal Ballet's new Stravinsky triple bill at Covent Garden is a grandly memorable experience. Even more memorable since the credit for the success of the evening owes so much to the conducting of Bernard Haitink and the playing of the Opera House orchestra. The symphonic relationship between dance in performance and its score is all too rarely comprehended nowadays—one has but to recall the dismal accounts of *Swan Lake* this season and contrast them with what happens when the Kirov and Bolshoi Ballets present this same work by their own orchestras, showing a true partnership of intention and realisation.

On Saturday night Haitink, with his orchestra in immaculate form, produced readings of *The Firebird*, *Scenes de ballet* and *The Rite of Spring* that were exemplary as views of the score and as partners for dancing (not always the same thing, but gloriously so under Haitink's baton). *Firebird* seemed an entirely new experience, both aurally and visually. The shimmer of orchestral tone, beautifully balanced, and the clarity of texture, exactly reflected the light and shade of Ivan's adventures, the mysteries of

Katzev's realm, and the flash of the Firebird across the scene.

Haitink's tempi were excellently judged: the more than usually spacious playing of the first scene did not detract from the clarity of Cynthia Harvey's magical bird, while Haitink's feeling for the momentum of the score in the dance of the Princesses gave this lyric interlude a welcome sense of dynamic purpose. And, because the Royal Ballet is a musically sensitive ensemble, company performance was more alert, more vivid, than for many years: the power of Fokine's magical tale has rarely seemed so fresh and exciting. Anthony Dowell was the noble of Ivan, Derek Rencher a diabolical ascarab as Katzev; and how good to see Deanne Bergema back with the company as a radiant Princess.

With scores de Ballet Haitink conveyed, as in no other performance I recall in this theatre, the architecture of the score, the logic and onward progress of its action. The cast, led by Lesley Collier and Anthony Downes, was admirably responsive to the elegance of a music's style. This is one of Ashton's supreme works, the dance convincing, perfect in form like a Fabergé jewel and

## Arts Guide

Musical/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 23-29

## Music

**LONDON**  
Trio Ravel: Haydn, Ravel and Schubert. Wigmore Hall (935 2141). (Mon.)  
Nash Ensemble conducted by Lionel Friedland with Sarah Walker, mezzo soprano, Debussy, Ravel and Fauré. Wigmore Hall (Wed.)  
Lynn Harrell, cello. Bach and Hindemith. Wigmore Hall (Thur.)  
London Symphony Orchestra conducted by Mstislav Rostropovich. Rostropovich 60th birthday concert.

**PARIS**  
Orchestre National de France conducted by R. Barshai, Jeremy Mennin, piano. Beethoven (Mon). Théâtre des Champs Elysées (4720 3637).  
Les Musiciens Amateurs Robert Schumann (Mon). Comédie des Champs Elysées (4720 3637).  
Michele Legrand recital. Daiton (Thur). Salle Pleyel (2068 8994).  
Baldwin, piano (Mon). Théâtre de l'Athènes (4742 6727).  
Orchestre de Paris—Andrés Schiff, piano. Bach (Mon). Salle Pleyel (4583 9786).  
Koch-Schreiber Orchestra. Mikha Uchida, piano. Mozart (Mon). TMC-Claude (4233 4444).  
Orchestre de Chambre Bernard Thomas conducted by Bernard Thomas: Vivaldi, Schubert, Camarosa, Bellini (Tue). Saint-Roch Church (4261 5236).  
Orchestre de Paris conducted by Zubin Mehta, Roger Woodward, piano: Mendelssohn, Ravel, Mahler (Wed, Thur). Salle Pleyel (2068 8994).  
Orchestre National de France, Jeremy Mennin, piano, Jean-Jacques Kau-

torov, violin, Misha Maisky, cello. Beethoven (Thur). Théâtre des Champs Elysées (4720 3637).  
**NETHERLANDS**  
Amsterdam Concertgebouw. Hartmut Haenschel conducting the Netherlands Philharmonic, with Frank Peter Zimmermann, violin; Bartok, Tchaikovsky, Schumann (Mon). The Aho Ensemble, Solberg Ensemble and Hague Percussion Group under Reinbert de Leeuw: Messiaen (Tue). Royal Hall Hakan Hagergard, baritone, accompanied by Geoffrey Parsons Schumann, Richard Strauss, Ives, Grieg, Szymanowski, Schubert (Tue). Anner Bijlma and Hildebrandt Suzuki, baroque cellos, with Jacques Ogg, harpsichord: Vivaldi, Bach (Thur). (71 85 65).  
Rotterdam. Doelen. The Randbiedijk Orchestra and mixed choir voices led by the Rotterdam Opera Choir conducted by Piet Struijt, with Gaetano Cappelli, tenor (Tue). The Aho Ensemble, Solberg Ensemble and Hague Percussion Group under Reinbert de Leeuw: Messiaen (Wed). Tom Parker's The Young Americans, the Young Messiah, with Vicki Brown, Madeline Bell, Gordon Neville, the New London Chorus and Orchestra (Thur). Royal Hall London Society: Mozart (Thur). (413 24 00).  
Utrecht. Vredenburg. Bach's Hobo Messe with the choir and baroque orchestra of the Netherlands Bach Society (Wed). Recital Hall Lodron Society: Mozart (Tue). Jaz van Nes, mezzo-soprano, accompanied by Gerard van Blerk: Brahms, Schumann, Wolf, Dvorak (Wed). (31 45 44).

**NEW YORK**  
Carnegie Hall: Liege Philharmonic. Pierre Bartholomew conducting. Jeffrey Siegel piano. French, Liszt (Mon); Orchestra of St Luke's: Christoph Eschenbach conducting, Jesse Norman soprano. Mozart, Haydn (Tue); Lexington State Symphony. Alexander Dmitriev conducting. Lazar Bernas piano, Weber, Shostakovich (Thur). (247 7000).  
Chamber Music Society of Lincoln Center (Alice Tully): Pergolesi, Amy Beach, Shostakovich, Dvorak (Tue). Lincoln Center (362 1811).  
Juilliard Orchestra (Avery Fisher): Paul Zukofsky conducting. Falla, Stravinsky, Mozart (Thur). Free. Lincoln Center.  
Morgan Hall (Goodman House): Prism Orchestra. Robert Black conducting. Barbara Ann Martin soprano. Schenker, Susan Blaustein, Ravel (Tue); Lisa Joy Singer piano recital. Bach, Beethoven, Maria Martinez, Schumann (Wed); Samuel Barrios piano recital. Bach, Schubert, Beethoven, Walter St. George Tucker, George Walker (Thur). 67th W. of Broadway (362 8719).  
Kashman Hall: Alice Giles harp recital. Bach, Tournier, Berio, Fauré Salzedo, Eberhard (Tue); Pilar Lorenz soprano recital with Master-

singers at the Y. Handel, Dvorak, Chopin, Respighi in Monop. Operas, Granados (Wed). 1386 Lexington Av. (321 8803).  
New York Philharmonic (Avery Fisher): Ralph Rich Lefkowitz conducting. Jorge Borge piano, Shostakovich, Borodin (Tue); Erik Lefkowitz conducting. Mozart, Stravinsky (Thur). Lincoln Center (874 2434).  
Philharmonic Violins (Crown Hall): Richard Kopp conducting. Carlos Rey cello. Respighi, Tchaikovsky, Vieuxtemps, Haydn (Tue). 43rd E. of Broadway (942 1818).

**WASHINGTON**  
National Symphony (Concert Hall): Fabio Mechetti conducting. Mianor Zakaria harp, Debussy, Glazner, Dvorak (Tue); Rafael Frutkin de Burgos conducting. Jonell Bell violin. Tchaikovsky, Respighi (Thur). Kennedy Center (254 3776).  
Chamber Music Society of Lincoln Center (Concert Hall): Pergolesi, Amy Beach, Shostakovich, Ravel (Wed). Kennedy Center (254 3776).

**CHICAGO**  
Chicago Symphony (Orchestra Hall): Pierre Boulez conducting. Debussy, Ravel, Schenker (Thur). (445 8111).

**TOKYO**  
Detrich Fischer-Dieskau, baritone. Schumann. Suntory Hall (Mon). (305 1010).  
Naoko Yoshida, harp. Respighi, Bach, Ravel, Albaniz, Albeniz, Piarra Tokyo Bunka Kaikan Recital Hall (Mon). (237 9900).

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LAST WEEK, on his state visit to West Germany, President Mitterrand announced a significant revision of French nuclear doctrine, involving a radical downgrading of the role of French sub-strategic nuclear weapons.

But while his new formulations may have considerable political merit in cementing relations between France and Germany, it is not at all clear whether President Mitterrand has in fact provided any new solutions to the old problems of nuclear deterrence.

At the end of his visit, his diplomatic advisers were beaming with satisfaction. One of them described the president's concluding press conference, mainly devoted to nuclear issues, as the most important since his election in 1981.

The centre-piece of the new doctrine is a renunciation of the use of France's short-range Pluton "pre-strategic" missiles in or near Germany - or as close as possible to renunciation, given the cardinal rule of uncertainty in all nuclear deterrence doc-

trines. The ideological significance of this renunciation is that it revives memories of the *absolutist* deterrence notions of General de Gaulle. In 1966, he took France out of Nato rather than acquiesce in the determination of the US government to make a transition from massive retaliation to "flexible response", relying on shorter-range nuclear weapons. This he regarded as a weakening of the American commitment to Europe.

But it is the European political dimension which gives the French initiative its real salience. The "Double Zero" option to remove from Europe all intermediate-range Nuclear Forces (INF) of more than 500km range, puts the Germans in a doubly painful dilemma and throws into the Franco-German relationship. This is because if Nato remains limited to short-range nuclear weapons of less than 500km, any war would turn Germany into a nuclear killing zone. However, if Russia proposes and the US accepts the elimination of these weapons,

Germany would become a conventional killing zone.

In either event, the spotlight is turned harshly on France's Pluton (and later Hades) missiles, both of which have a range of less than 500km. On the one hand, the French government has adamantly refused to take part in any nuclear arms reduction negotiations at least until, as President Mitterrand put it last week, there is some correlation between their arsenals and ours.

This implies larger cuts than the 50 per cent reductions which are under discussion in the strategic arms talks. On the other hand, it is uncomfortable to explain the rationale of short-range French missiles whose purpose might be deterrence, but whose possible effect would be to kill millions of Germans, West or East.

What makes the new doctrine more striking is that it emerged

only a few days after Mr Andre Giraud, the French Defence Minister, had gone further than any of his predecessors in the post 20 years towards lining up French defence policy with Nato doctrine.

In a long interview with the *Figaro* newspaper, Mr Giraud endorsed Nato's doctrine of

himself approved the use of tactical nuclear weapons.

Not using short-range weapons would mean that the French notion of a "final warning" would have to take the form of a nuclear strike against Soviet territory, either with a submarine-launched ballistic missile, or with a medium-range air-to-

ric loyalty to the Atlantic Alliance than any of his predecessors in the Gaullist era. So, far from asserting that France's nuclear arsenal can offer an alternative to the US deterrent, he believes firmly that the protection of Europe depends on the nuclear deterrents of all three Western nuclear powers, the US, France and Britain.

Yet it is hard to reconcile this with what now appears to be a nuclear doctrine which diverges markedly from that of the other allies.

What President Mitterrand did not do was provide a convincing alternative rationale for handling the problem of the West's conventional inferiority to the Warsaw Pact.

His advisers believe that this inferiority has been overstated, and also hope that Mr Gorbachev will follow his many other arms control initiatives with a proposal for large and asym-

metrical cuts in Warsaw Pact forces.

In contrast, it would be hard to detect any doctrinal difference between the views of Mr Giraud and those of Nato. "Europe," he told *Figaro*, "cannot be guaranteed against a conventional attack either by conventional forces alone, or by strategic nuclear deterrence alone. Before resorting to strategic deterrence, we need intermediate nuclear forces which are sufficiently impressive to frighten an aggressor, sufficiently limited for their use to be credible."

It will be exceedingly interesting to see what comes of these intra-French divergences today and tomorrow when the Foreign and Defence Ministers of the seven member states of the Western European Union defence grouping hold a joint meeting in the Hague. In principle, they are due to break new ground by drawing up a statement of their common European interests in the security field. In practice, force of habit and a widespread anxiety not to

offend either the US or other West European countries will make it difficult to break away from the standard language of Nato communications.

They are also expected to agree to use the AEC for consultation on arms control issues. This may sound innocent but could lead to distinct differences with the US.

As President Mitterrand said in Bonn last week, "Everything requires us to adopt similar positions on the US-Soviet negotiations on the prospective agreement on the elimination of Intermediate-range Nuclear Forces, the reduction of strategic armaments, or the implementation of the Anti-Ballistic Missile treaty of 1972."

Until now, no European leader has been prepared to claim Europe's right to express a view on arms control talks which could directly affect its security, even though Europe has no local standing in any of these bilateral negotiations. This may not be fighting talk, but it is symptomatic of the new mood in Europe after Reykjavik.

## De Gaulle and deterrence

### France has revised its nuclear strategy. Ian Davidson reports

flexible response, and explained that tactical nuclear weapons were an essential complement to the conventional defence of Europe. Best of all, he had managed to claim the legitimacy of Gaullist orthodoxy by unearthing a little-known quotation in which the General

surface missile, which has yet to be developed. Whichever happened, the Soviet Union might have difficulty in distinguishing between a final warning and the start of a massive strategic strike.

The paradox is that President Mitterrand claims more catego-

## UK ELECTRONICS INDUSTRY

# A shake-out, as the glamour fades

By Terry Dodsworth

THE STRUCTURAL changes which have swept through the UK electronics industry in the last month may, in the limited sense of their timing, be described as coincidence. But what coincidence becomes an underlying trend when four companies out of the top five in the sector succumb to the same urge to join forces with someone else. It is hard to believe that something fundamental is not afoot.

The most ambitious of these transactions was the agreement between the General Electric Company and Philips to form a joint venture (telecommunications company). Other deals and pending changes over the last few months include:

- The merger between Ferranti and International Signal and Control, the secretive US defence company.
- The decision by Northern Telecom, the Canadian telecommunications group, to acquire a 28 per cent stake in STC.
- Several restructuring moves by GEC, particularly the proposed merger of its medical electronics division with that of Philips, and its expansion in the US avionics sector by the acquisition of a division of Lear Siegler.

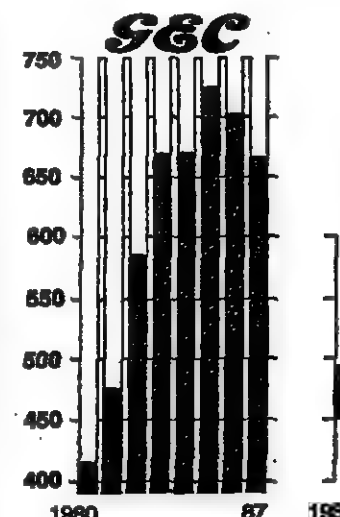
- Thorn EMI's sale of its Ferguson television division, a deal which virtually completed the departure of UK companies from television production.
- Thorn's proposal to find a partner for its Inmos semiconductor subsidiary, which is now being looked at by a number of companies.

In stock market terms there is nothing surprising in the rash of activity. Since the second half of 1982, when British investors were coming to the end of a ro-

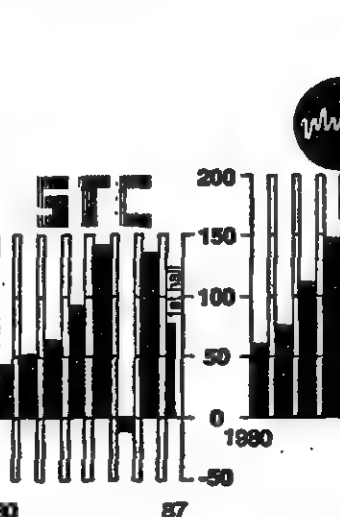
manche with electronics stocks, companies in the sector have constantly under-performed the rest of the market. Share prices have gone up, but they have not kept pace with other parts of the economy - retailers, service companies and, more recently, old-fashioned engineering groups.

"In the recession in the early 1980s," says a London fund manager, "electronics companies were one of the few existing stocks to buy. They were being popularised by the Government as a growth area, but more than that, these businesses were in areas which were protected from many of the pressures on profits by public sector procurement in defence and telecommunications."

The decline in the stock market's enthusiasm since then is to a large degree linked to the tougher operating conditions brought to bear on the companies' public sector activities in recent years. The Government's liberalising broom has swept through the telecommunications industry, opening up the market to more contractors and changing British Telecom from the position of benevolent patron to demanding customer. In defence, the steady expansion of the early Thatcher years has given way to a value-for-money drive and a slow-down in government spending.

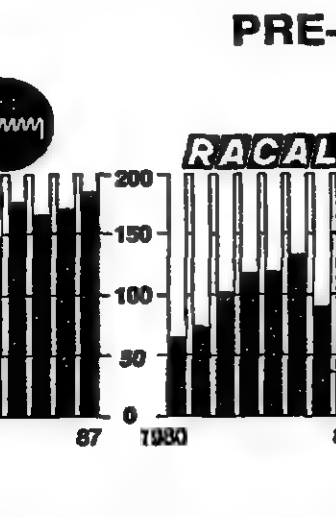


At the same time, international competition has become more prevalent in the British market, regarded by many as among the most open in the western world. This is particularly true in telecommunications, where the country swung from trade surplus to deficit in 1983 and has been moving steadily further into the red on its trade account ever since.



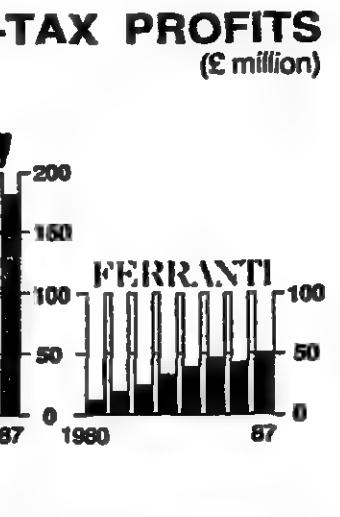
But the changes are also reflected elsewhere. In defence, for example, the Government's decision to opt for the Boeing airborne early warning system (Awacs) rather than GEC's Nimrod was a blow to the domestic industry. The trade deficit in the electronic components sector leapt from £77m in 1980 to £200m last year.

The new market pressures have become increasingly evident in the profits performance of the industry since the early 1980s, when several of the electronics groups produced spec-



ular results. Annual profits growth of 30 to 35 per cent at that time has dropped below 10 per cent in some cases over the last two years, at a time when companies in less glamorous traditional manufacturing have been running up profits increases of well over 15 per cent after the cost-cutting of the early 1980s.

"These are the figures that made management act," says a senior executive close to the in-



dustry. "When you see a lot of merger activity such as we have had, you should always look at the profit and loss account and think about what it might look like in a couple of years from now."

Over the short term, industry executives believe that some of the alliances made industrial groups will ease the process of rationalisation. This could be true, particularly, of the GEC-

Plessey joint venture, which analysts expect to be followed by closures, and cuts in the workforce.

"Mergers give you a great deal of latitude in accounting terms to push reorganisation costs below the pre-tax line," says one financial executive. "I would be surprised if this issue was not exercising the minds of some financial departments."

The longer term aspects of the reorganisations, however, are much more important for the underlying health of the companies involved. What the deals aim to do is to tackle some of the structural weaknesses of the UK industry - its limited international market base, its narrow product lines and its growing anxiety over finance for research and development in a period of tighter profits and government stringency.

At the heart of this strategy lies the issue of internationalisation, because in electronics, more than in most other industries, products tend to travel so easily and rapidly across national boundaries. Given this ease of market access, success often depends on large volume sales; research costs are also high. These characteristics have been abundantly clear for years in those parts of the electronics manufacturing industry not strongly protected by government policies - computers,

consumer electronics and semiconductor.

In responding to the move towards more open markets in their chosen niches, UK companies have some clear opportunities. In defence, for example, Whitehall believes the British industry compares favourably with what is on offer from most other countries. In telecommunications, the UK electronics groups have concentrated their resources on a fast-expanding business which is likely to double in size around the world over the next 10 years.

To take advantage of this growth, however, UK manufacturers will have to graft some new skills on to their businesses in selling overseas and in finding unexploited product areas. It is notable that a current Stock Exchange favourite in the sector is Racal, a company which looked vulnerable to takeover five years ago because of its lack of government-sponsored contracts, but which has since transformed its image by plunging into the extraordinarily buoyant car telephone business.

At present, analysts do not see any other potential Racals among the leading British groups. On the contrary, the talk in the City is more about further rationalisation and international alliances than organic expansion. Plessey is widely tipped as a takeover target and there is some expectation of a further regrouping in semiconductor manufacturing. After largely escaping the shake-out which swept through the rest of British manufacturing after the 1981 recession, it now looks as though the electronics sector is in for a long period of similar treatment.

## Speeded up dealings

From Professor D Bell. In the absence of any easily recognised cause for the sudden fall of stock exchanges around the world everyone is looking for a scapegoat; and one obvious question is whether the speeding up of dealings by the use of electronic communications and displays (eg 'Big Bang' in London) may lead to instability.

The Stock Exchange is difficult to interpret, because in normal times different sectors of the market behave independently, but currency exchange rates such as the pound-dollar can be checked by looking for changes in the behaviour of the longer term figures (monthly rates from the International Monetary Fund) and of the daily rates and spread of rates which are published in the *Financial Times*. Comparing the two twelve-month periods April 1978 - April 1977 and April 1986 - April 1987 one finds that the average monthly changes in the pound-dollar rate were 1.7 per cent and 1.6 per cent respectively. The difference is not significant, but these comparatively slow movements are controlled by 'sentiment', rational or irrational.

If speculative activity (exemplified by television pictures of an individual making a substantial profit on the currency exchanges in minutes) caused volatility of exchange rates, this volatility ought to show as an increase in the daily range. But examination of 17 days in January 1978 and 22 days in January 1987 showed average daily ranges of variation of 1.01% and 0.85% respectively, a difference which is probably not significant but if anything would suggest daily fluctuations are now reduced. The one factor which might disrupt either a stock exchange or a currency market would be the insolvency of a major operator, and for this reason central banks wish to introduce rules prescribing the minimum capital for any organisation trading in international currencies.

One may also question the real value of employing expert brainpower in hectic activity in pursuit of purely financial profit, but the question is not about technology but about the human use of it. D A Bell, 87 East End, Wokingham, Berkshire.

## Unjustified fall

From Mr P Bull. Sir: - God forbid that taxpayer's money should be used to stabilise equity prices as Professor Butler (October 22) suggests. Political influence of that

## Letters to the Editor

sort should be kept well out of the stock market. Any bureaucratic hand, save perhaps that of the Bank of England, would be a recipe for disaster. But the problem remains because London's prices collapsed despite the UK economy looking better than ever and real progress being made in correcting deeply ingrained structural problems. Of course some large and small UK companies are affected by developments in the United States, and the UK is affected by world events. But nothing happened to justify London's equity market fall.

So what went wrong to inflict such losses on innocent shareholders? Is the London market more than an extension of Wall Street and Tokyo, and just as vulnerable to their panics? If so, can anything be done to protect the genuine longer-term UK investor from computer selling and the over-reaction of market makers?

We need to know precisely why there was a panic reaction in London. Was it started by foreign selling? What part did UK institutions play? Was the new market system mainly to blame? And what part did the UK private investor play? If the facts were known it might be worthwhile the major UK institutions considering whether to set up some buffer mechanism to bring a stabilising and protective influence to bear in a wholly irrational market atmosphere. Such a mechanism might cause the perpetrators of the worst excesses to think twice, and it could be a factor to be built into computer programmes as a deterrent to their giving 'sell at any price' instructions.

Despite the internationalisation of markets London needs to be protected from the worst impact of disasters not of its own making. P J Bull, 38 Radnor Walk, SW3

## Troubles in Tibet

From Mr D Colburn. Sir: - Your reporting on the recent troubles in Tibet has been good and I was pleased to read Robert Thomson's article on October 15.

Unfortunately, he follows the attitude of western journalists in general in saying "the Tibetans are pursuing the futile quest for independence".

In the post-war period, the old colonial powers, in granting independence to their past colonies, have failed to defend those countries which have more recently become, effectively, colonised. Western jour-

nalists adopt eastern block rhetoric in referring to the partisans in Afghanistan as 'rebels'. Chinese action in Lhasa in 1959 (of which we have been so recently reminded) was an echo of Russian actions in Budapest in 1956.

Both were examples of colonial repression which has to be continuously condemned. D F Calland, Ovey's Farm, Cookham, Berks.

## The Indian economy

From Mr D Sehgal. Sir: - Although I found Michael Prowse's article on the Indian economy quite informative and reasonably objective, the letter from Major Delens about it (October 21) was a very biased reaction to it. It clearly shows Major Delens's antagonism towards India and betrays his ignorance of the economic achievements of post-independence India.

Of course, one cannot deny that India, like many other countries in the developing world, suffers from corruption and many unnecessary bureaucratic controls that hinder the growth of trade and industry. It is true that there are millions who still live below the poverty line in miserable conditions in spite of the very significant economic growth. This is due to the population explosion which has been outstripping the rate of economic growth. The Indian government is definitely guilty of not doing enough to solve the problem of population growth, which is undermining the country's achievements in the industrial and economic field.

Unlike Major Delens, I think India's priorities have been exactly right. The priority given to agricultural research and development and the Green Revolution which has enabled the country to achieve self-sufficiency in food in spite of the fact that India's population has more than doubled in the past 40 years. Nehru's emphasis on developing heavy industry has laid the foundations for a sound manufacturing base. This, however, was accompanied by protectionist measures against foreign imports, which was a bit overdone and resulted in inefficient manufacturing industries which took undue advantage of this protection and indulged in producing inferior goods at higher prices. With a population of over 800m, they were exploiting a very large 'captive' market. For the last three years, however, Rajiv Gandhi's government has taken steps to liberalise the economy, particu-

larly the controls on imports. This should be welcomed and encouraged as these are measures in the right direction and good for the future health of India's economy.

Major Delens talks about the great gap between the obscene wealth of a small minority and dire poverty of a very large proportion of the Indian population but ignores (or is ignorant about) the vast middle class that has emerged in medium sized businesses in the last two decades could be the envy of many nations. If the government continues its policy of liberalising controls, there is a great future ahead for the new entrepreneurs and consequently for India's economy. Daljit Sehgal, Reform Club, Pall Mall, SW1

## Misunderstood J-Curve

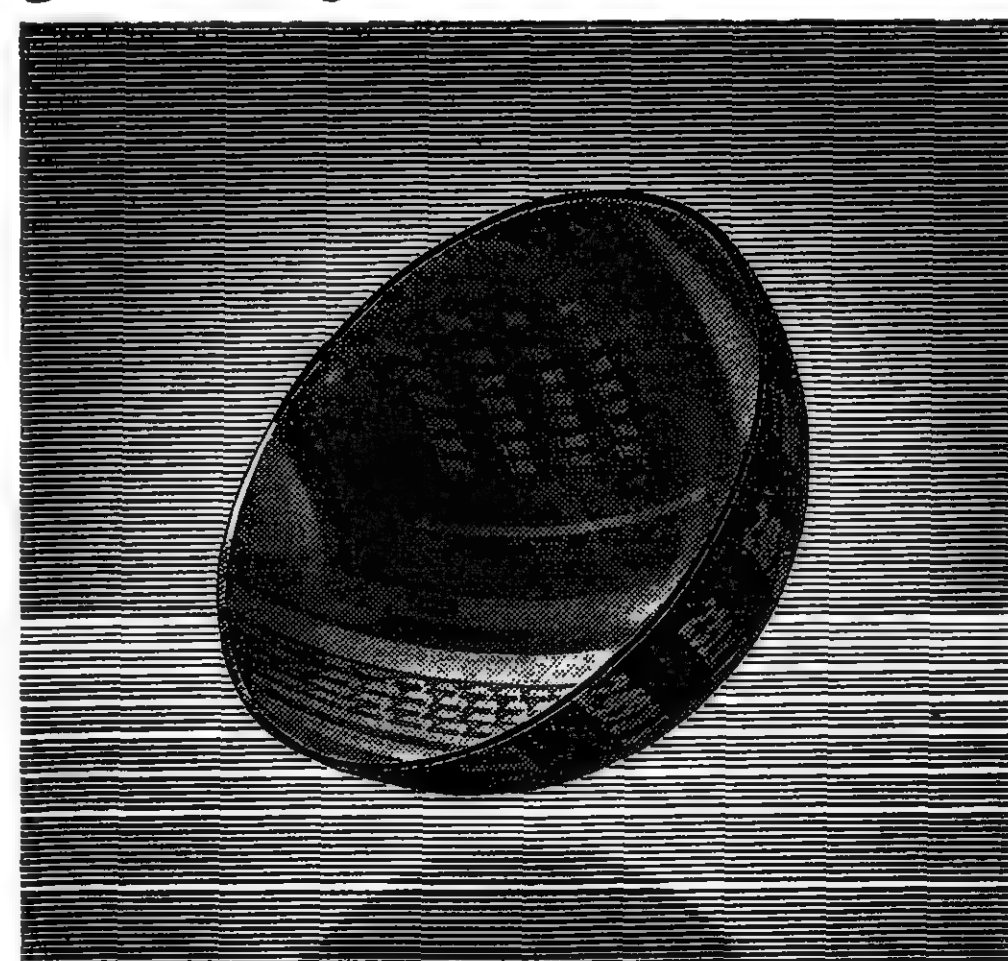
From Mr B Luckham. Sir: - Daniel Salem (October 22) is quite right when he says that the continuous slide in the dollar is preventing any improvement in the US nominal trade deficit and undermining the expected J-Curve effects. The J-Curve shows that a once-and-for-all currency devaluation will, after an initial deterioration in the nominal trade balance due to negative price effects outweighing positive volume effects, lead to a reduction in a nominal trade deficit as imports and exports respond to relative price changes.

Ever since the dollar started to drop in 1985, economic commentators have assured everybody that the US trade deficit would start to improve as the J-Curve took effect. The combination of the dollar's steep fall and persistence of large monthly nominal trade deficits in the US, however, has led to the effectiveness of the J-Curve being questioned, not to mention the effectiveness of economist!

In defence of the J-Curve it is important to realise that it is a theoretical construction. Econometric work has shown that it does work providing that the exchange rate is the only variable which changes. All other variables - consumption, fiscal and monetary policy - are assumed equal. Obviously the assumption of ceteris paribus does not hold for the real world economy with the result that the expected theoretical effect of the J-Curve however still holds true and a devaluation will eventually feed through into the nominal trade balance.

Economic commentators have been correct in believing in the positive effects of the J-Curve, but woefully wrong in assigning the timescale needed for any improvement to show through. This is a direct result of a failure to understand the assumptions used in the theoretical construction of the J-Curve model. Bruce Luckham, 150 Durrant Road, SW19

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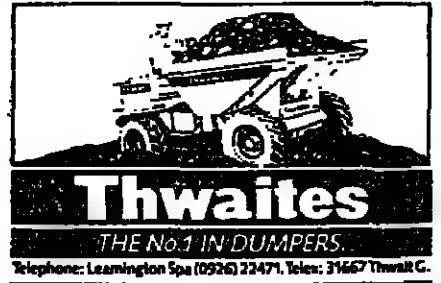




## SECTION II - COMPANIES AND MARKETS

# FINANCIAL TIMES

Monday October 26 1987



### INTERNATIONAL BONDS

## Market makers run for cover as lean times get tougher

BY STEPHEN FIDLER IN LONDON

AMID all the noise in the world's financial markets last week, in the background there was a familiar sound: that of Eurobond traders running for cover.

For a large part of last week the Eurobond market was effectively shut down. Even on Wednesday, a relatively calm day, between a quarter and a half of the registered market makers were estimated not to be making markets.

In the widespread disarray of last week, the caution of the Eurobond houses was understandable. But they have again emphasised the fragility of liquidity in the Eurobond market which was dramatically underscored in the summer when the US announced it intended to terminate its tax treaty with the Netherlands.

The US Treasury market also faced liquidity problems but they were of an entirely different order.

"You can still do \$100m of bonds but that's not to say you'll like the price you get," said one dealer.

Last week brought immense confusion about the value of shares and bonds, not least among dealers whose strenuous efforts not to run positions in the Treasury market - passing the parcel from one to another - has contributed to the volatility. If at the beginning of the week US houses were running substantial short positions that caution was understandable.

In the absence of an alternative rationale, traders were guided by a new market rule: bond prices move in the opposite direction to share prices.

Prices of Treasuries rose sharply over the week, with the yield on the 30-year bond swinging by an enormous 1½ percentage points during the week, ending with a yield of

just over 9 per cent. Further gains are ahead if Salomon Brothers' Mr Henry Kaufman is to be believed. He predicts the long bond yield may decline to 8 or 8½ per cent by the year-end in the easy monetary environment the Federal Reserve has encouraged to stem the recessionary fears brought about by the share collapse.

Price gains in the Eurodollar bond market were of course more modest. Its lack of liquidity meant that yield spreads of Eurobonds over Treasuries widened significantly, a trend reinforced by the understandable preference of investors, who had just dived out of a collapsing stock market, for government rather than corporate bonds.

Nevertheless, in the US corporate bond market, new issue followed new issue to market. A total of \$1bn of bonds were launched on Friday alone into the US market, proof

surely of the penalty the Eurobond market pays for the lack of commitment of many of its traders.

If new issues of straight Eurobonds are expected to be modest, their prospects are infinitely better for the moment than for equity-linked issues.

With stock markets collapsing around the world, four Japanese equity warrants issues denominated in dollars, including an \$80m issue for Hokkai Can, were withdrawn. Plans for numerous other equity-linked deals, such as a proposed \$100m convertible for Equitcorp of New Zealand through Credit Suisse First Boston, were abandoned. Terms on others, such as the £50m sterling £83m deal for Avis, were substantially revised.

But the most controversial move of the week must have been Merrill Lynch's decision to withdraw Merrill

for Bell Resources, the mining and energy arm of Mr Robert Holmes à Court's Bell Group.

Merrill cited "unprecedented volatility and adverse changes in world financial market conditions" as the reason for its decision.

It said it had been discussing possible alternatives with Bell Resources over the issue, which was convertible into BHP shares, but "has reluctantly concluded that it is not possible to proceed with the issue in its original form."

The withdrawal certainly came late in the day. The deal, launched on October 7, had not been signed but terms had been fixed since October 13. Initially, the £50m sterling and the A\$20m portions had sold well, though the \$350m tranche had been slower to move.

The 25 per cent slump in BHP's share price since launch had meant

that the bonds had fallen to discounts of 10 per cent or more, according to Merrill which said it was the only market-maker.

The move was said to have angered Bell, which was expected to use the proceeds to refinance existing debt. It also upset a number of co-managers who had successfully placed the bonds. On the other side, some investors were said to be putting the lead manager under pressure to withdraw it. Market talk suggested Merrill had been sitting on a large position in the bonds and that had been an important factor in its decision to pull the deal.

Not so, says the US firm. Agreeing that it was unusual action, Merrill officials cited unprecedented uncertainty in all major financial markets. The time the firm spent talking to Bell in an attempt to seek alternatives delayed the eventual decision.

Merrill received only one text of complaint at the move.

Merrill's policy is not to discuss the size of its book. "Whatever the book was - whether it was showing a loss or a profit - that was not the reason for the decision," said Mr Cliff Dammers, executive director of the firm.

Still in the world of equity-linked securities, the London-based market in Japanese equity warrants reopened on Friday after its closure on Thursday afternoon, when the market was overwhelmed with sell orders.

The market reopened with its dealing spreads widened to two points from 1½ and the size of a round lot down to 25 warrants from 50. Today, the 10 market makers meet to discuss last week's frenetic activity and attempt to make sure trading keeps going even when times get tough.

## Stock price fall sparks bid for Triangle

By James Suchan in New York

MR NELSON PELTZ and Mr Peter May, who used "junk" financing to build Triangle Industries into the world's largest packaging company, are seeking to exploit the collapse in stock prices to take all but complete control of Triangle for \$625m in cash or a quarter of its annual sales.

Mr Peltz and Mr May, who are chairman and president of Triangle and are among the highest-paid executives in the US, said they had proposed to buy the Triangle shares they do not own for \$25 cash apiece and \$10 in a low-grade security. Triangle, which was trading at around \$40 a share before the market started falling 10 days ago, closed last week at \$28½, up 52½ in response to the offer.

Triangle, which in 1984 had only \$200m in sales from copper wire, cable and jukeboxes, were transformed by highly leveraged acquisitions under Mr Peltz and Mr May, who currently own 13 per cent of the company but control 56 per cent of its votes through a heavy-voting issue of preferred stock.

With the aid of high-yielding bonds issued by the celebrated California financier Mr Michael Milken, the two men bought National Can, the glass and metal container manufacturer, and the packaging arm of American Can.

The offer is being made by CJI Industries, the former Central Jersey Industries, a bankrupt railroad company which Mr Peltz and Mr May used last year as a shell to raise some \$300m in new acquisition financing.

Under the offer, Mr Peltz and Mr May will swap their holding in Triangle for a new issue of CJI preferred stock which will give them 80 per cent of the voting rights of the new company.

### INTERNATIONAL CREDITS

## Bankers poised for rapid return to straightforward loans

BY ALEXANDER NICOLL IN LONDON

FEW PEOPLE could be said to be rubbing their hands with glee at the turmoil in the world's financial markets last week. But bankers in the Eurocredit market are cautiously predicting that it could presage the resurgence of the good old-fashioned bank loan.

A more immediate effect was to stimulate perhaps record activity in issuance of Eurocommercial paper, particularly in top-rated issues, as investors sought to put their money in top-quality, short-term instruments. Falls in interest rates also stimulated interest.

The stock market crash is likely to put an end to the time being to Eurocredit financing for such transactions as leveraged buyouts, and

complex funding packages involving the issue of equity. It may also slow overall business somewhat, since all financial market participants must be reluctant to make any form of commitment in such uncertain times.

Syndicated loan business has, however, already been picking up this year, following the collapse of the floating rate note market and amid difficult times for bonds not linked to equity. Its continued progress will clearly depend on a number of factors, including the extent to which the US and other economies go into recession, affecting borrowing demand.

There does seem some likelihood, however, that borrowers will be

turning back to banks for straightforward longer-term loans, since securitised financing may be either less available, less reliable, or less financially appealing.

The effect on pricing of loans is less clear. Given the keen competition between banks for mandates, syndicated loans seem never likely to turn fully into a lenders' market. However, a small upward trend in interest margins has already been seen this year. Japanese banks, with official co-ordination, are seeking higher returns on their lending.

Banks also face higher costs of capital due to tougher and co-ordinated capital adequacy requirements, reducing their willingness to do deals of doubtful profitability for

the sake of building a relationship. Increased demand from borrowers could increase the trend towards higher spreads.

Not all transactions follow the trend to higher margins. In France, corporate borrowers have caught on to the UK fashion for restructuring banking relationships into multiple option facilities and competition for mandates is clearly ferocious. The facilities typically involve options in either domestic French francs or Eurocurrencies.

Lafarge Coppée, the cement group, mandated Crédit Lyonnais and Crédit Commercial de France for a facility involving domestic and Eurocommercial paper programmes, advances through a tender panel, and including an Ecu 450m five-year standby. There is a facility fee of 4 basis points, and borrowings in Eurocurrencies carry no margin over London interbank offered rates (Libor), while those in francs are at 10 basis points over the Paris domestic equivalent, Pibor. There is a utilisation fee of 3 basis points up to 50 per cent usage and 8 basis points above that level.

Valeo, a vehicle parts maker, is to have an Ecu 150m five-year facility mandated to Banque Indosuez, with a 7 basis point facility fee, and margins of 10 basis points above Libor in Eurocurrencies, and 20 basis points above Pibor. The utilisation fees start at 2.5 basis points above 25 per cent usage, rising to 5 basis

points over 50 per cent.

British borrowers are yet to be outdone, however. Mountleigh Group, the UK property concern, has signed a £200m (\$332m) two-year revolving loan, extendable to five years at the banks' option. The loan is underwritten and provided by Credit Agricole and Citicorp Investment Bank, which is seeking the participation of a small number of other lenders. There is a commitment fee of 12.5 basis points, and the margin is 50 basis points for the first year and 37.5 basis points thereafter.

Credit Suisse First Boston has been mandated by Homestake Mining, a San Francisco mining company, for a \$75m five-year loan, with a

10 basis point commitment fee and a margin of 30 basis points over Libor.

EUROMARKET TURNOVER (\$m)				
Primary Market				
US\$	£	DM	FRF	Other
1718.8	242.8	736.0	514.3	514.3
1338.2	285.1	0.0	0.0	0.0
504.3	144.8	271.7	508.2	508.2
1461.9	285.1	0.0	0.0	0.0
Secondary Market				
US\$	£	DM	FRF	Other
2450.7	1744.4	1494.8	622.4	622.4
2349.2	843.4	1102.3	504.2	504.2
1708.0	1201.7	708.3	1314.1	1314.1
1772.9	1205.1	4282.9	1386.6	1386.6
Total				
5867.7	4273.3	3341.1	1640.9	1640.9
3687.4	3546.5	1130.9	1318.7	1318.7
1826.2	2550.2	4076.1	4019.5	4019.5
3420.7	2547.8			

Week to October 22, 1987

Source: AIBD

All these Bonds having been sold, this announcement appears as a matter of record only.



### The Nippon Credit Bank, Ltd.

(Kabushiki Kaisha Nippon Saiken Shinyo Ginko)

U.S.\$150,000,000

1¾ per cent. Convertible Bonds 2002

Asian Tranche in the amount of  
U.S.\$50,000,000

Nippon Credit International (HK) Ltd.

The Nikko Securities Co. (Asia) Limited

Yamaichi International (H.K.) Limited

Baring Brothers Asia Limited

Jardine Fleming (Securities) Limited

Samuel Montagu & Co. Limited

Daiwa Singapore Limited

Sanyo Securities (Asia) Ltd.

BT Asia (H.K.) Limited

Hokuriku Finance (H.K.) Limited

KOKUSAI Securities (Hong Kong) Limited

Universal (U.K.) Limited

Wako International (H.K.) Ltd.

All these Bonds having been sold, this announcement appears as a matter of record only.



### The Nippon Credit Bank, Ltd.

(Kabushiki Kaisha Nippon Saiken Shinyo Ginko)

U.S.\$150,000,000

1¾ per cent. Convertible Bonds 2002

European Tranche in the amount of  
U.S.\$100,000,000

Nippon Credit International Limited

Nomura International Limited

Salomon Brothers International Limited

Morgan Stanley International

Yamaichi International (Europe) Limited

County NatWest Limited

Deutsche Bank Capital Markets Limited

Goldman Sachs International Corp.

Merrill Lynch Capital Markets

Norinchukin International Limited

Swiss Bank Corporation International Limited

Tokyo Securities Co. (Europe) Limited.

S. G. Warburg Securities

Yamatane Securities (Europe) Ltd.

Banque Paribas Capital Markets Limited

Credit Suisse First Boston Limited

Dresdner Bank Aktiengesellschaft

Kleinwort Benson Limited

Morgan Guaranty Ltd

Shearson Lehman Brothers International

Taiheiyō Europe Limited

Union Bank of Switzerland (Securities) Limited

Westdeutsche Landesbank Girozentrale

Cosmo Securities (Europe) Limited

New Japan Securities Europe Limited

Kosei Europe Ltd.

Nippon Kangyo Kakumaru (Europe) Limited

Marusen Europe Limited

Okasan International (Europe) Limited



## Rey joins fray for Sulzer stake

*All of these securities have been sold. This announcement appears as a matter of record only.*



## INTERNATIONAL CAPITAL MARKETS

## US MONEY MARKET RATES (%)

	1 week	1 month	3 months	6 months	12 months
Fed Funds (weekly average)	7.25	7.25	7.25	7.25	7.25
Three-month Treasury bill	7.25	7.25	7.25	7.25	7.25
Three-month Treasury note	7.25	7.25	7.25	7.25	7.25
Three-month commercial paper	7.25	7.25	7.25	7.25	7.25
30-day Commercial Paper	7.25	7.25	7.25	7.25	7.25
90-day Commercial Paper	7.25	7.25	7.25	7.25	7.25

## US BOND PRICES AND YIELDS (%)

	1 week	1 month	3 months	6 months	12 months
Seven-year Treasury	103.1	103.1	103.1	103.1	103.1
10-year Treasury	103.1	103.1	103.1	103.1	103.1
20-year Treasury	103.1	103.1	103.1	103.1	103.1
30-year Treasury	103.1	103.1	103.1	103.1	103.1
10-year Treasury note	103.1	103.1	103.1	103.1	103.1
20-year Treasury note	103.1	103.1	103.1	103.1	103.1
30-year Treasury note	103.1	103.1	103.1	103.1	103.1

## NRI TOKYO BOND INDEX

	1 week	1 month	3 months	6 months	12 months
Overall	103.1	103.1	103.1	103.1	103.1
Government Bonds	103.1	103.1	103.1	103.1	103.1
Corporate Bonds	103.1	103.1	103.1	103.1	103.1
10-year Treasury	103.1	103.1	103.1	103.1	103.1
20-year Treasury	103.1	103.1	103.1	103.1	103.1
30-year Treasury	103.1	103.1	103.1	103.1	103.1

## FT/AIBD INTERNATIONAL BOND SERVICE

Source: Reuters Research Institute. \* Estimated per yield.

## US MONEY AND CREDIT

## Flight to quality drives down rates

WHILE stocks crashed last week, bonds boomed in the most spectacular credit market rally anyone could remember. By the end of the week Wall Street was still struggling to work out the economic, political and psychological implications. The stunning turn of events in financial markets began with Monday's historic collapse of stock prices. Fears of higher inflation, a weaker dollar and central bank tightening were but intellectual fig leaves with which investors covered their naked panic.

A flight to credit markets and to quality drove down interest rates on short-term government securities by as much as 100 to 175 basis points to around 5.30 per cent. As fear spread that the equity rout would trigger a recession, investors piled into longer dated bonds.

The 30-year Treasury bond's yield plummeted from a peak of 10% per cent on Monday morning to under 9 per cent on Friday morning. Government bond prices rocketed more than 10 points, or 11 per cent in the week, mostly in the first few days.

Bond dealers began the week with very large inventories because retail investors had deserted the market through its long slide from mid-August when the long bond had yielded 8% per cent.

Suddenly last week it was a feeding frenzy as investors snapped up anything they could get. Dealers sold securities they did not have, forcing them to bid aggressively in the market place. But soaring prices only heightened investor demand. The Federal Reserve helped ease the pressure by temporarily removing its restrictions on dealer borrowings from its \$200bn plus portfolio of government securities.

In fact, the laurels for the week go to the Fed without whom equities might have fallen through the floor and bonds

might not have rocketed through the roof. Barely a month after it raised its discount rate, it stepped into the breach of the battered stock market and declared on Tuesday it was ready to serve as a source of liquidity to support the economic and financial system. The term, one-sentence policy pronouncement by the Fed worked wonders as the central bank opened the credit gates and flooded the markets with liquidity. So concerned was the Fed that the world understood what it was doing it even broke its steadfast rule of refusing to comment on peculiar movements of key interest rates.

It went into elaborate lengths about why the Fed Funds rate which banks lend reserves to each other had soared to 15 per cent on Wednesday evening for reasons totally beyond its control.

The aberration in the rate was an ominous sign, though, that the market earthquake had done more harm to financial institutions than a few surface cracks. Deep structural damage could well come to light in coming weeks.

Thus, economists were extremely reluctant to measure the repercussions. "Quantifying the economic outlook is no more than an exercise in futility," said Griggs and Samlow, money market economists.

But a general consensus emerged that, as Salomon Brothers phrased it, "Growth will be weaker, inflation will be lower and interest rates will decline further. The magnitude of these shifts will hinge critically on the degree of financial dislocation from the plunge in stock prices, how quickly and at what level the market regains stability and the magnitude and speed of the monetary and fiscal policy responses."

Somewhere around \$1000bn has been wiped off the value of equities since their August peak. No one knows what the direct impact will be on consumer spending but Americans are a good deal gloomier than they were eight days ago. Their sharp cut in plans to consume or invest will certainly slow the rate of economic growth in the fourth quarter of this year and the first of next from the 3.5 per cent annual rate achieved between July and September.

Slower growth should mean fewer imports but if weaker demand is a global phenomenon then US exports will suffer as well. The net effect on the trade deficit could be minimal. But on the bright side, inflation and more importantly the excessive fears of inflation will ease substantially.

## UK GILTS

## Crash signals switch to fixed-interest

LAST WEEK broke, in the most dramatic fashion, the pro-equity, anti-fixed interest psychology which has been fed by the bull market in shares over the past few years.

The quick, startling and sustained returns to be had in global equity markets made bonds seem a very poor investment, indeed. It was only in December that one prominent securities house issued a cogently argued report entitled, "Equity risk premium (or Why hold gilts at all?)."

That report argued that, even on a risk-adjusted basis, equities had been a much better investment than gilts over the last 10 years. True, but last week's unprecedented collapse in share prices defied any normal risk-adjustment techniques.

There seems little doubt that institutional portfolios, for years chronically underweight in bonds, will now see a fundamental adjustment in their view of the value of fixed interest.

On bank lending, it seems likely that people will no longer be willing to borrow on the strength of rising asset prices and corporate borrowing to finance acquisitions and merger activity will be severely curtailed.

This could show through in published bank lending data early next year and allow a further cut in base rates later this year or early in 1988.

What will be crucial for the performance of gilts will be its perceived value against other non-dollar bond markets. Mr Robert Thomas and Mr Kevin Boakes of Greenwell Montagu note in their latest gilts report today that, up to 10 days ago, one cloud on the horizon for gilts was their recent overperformance compared with other non-dollar bond markets.

"Last week, however, there was some correction as yields fell proportionately faster in Germany and Japan than in the UK," they said. Their assessment of prospects for non-dollar bond markets is highly positive.

On top of this, with the public sector borrowing requirement certain to undershoot its target, any remaining funding should meet healthy demand. The same can be said for government funding in the equity market. As one seasoned commentator said of the forthcoming BP issue: "Eddie George would never have tried to sell £7bn of gilts in one go."

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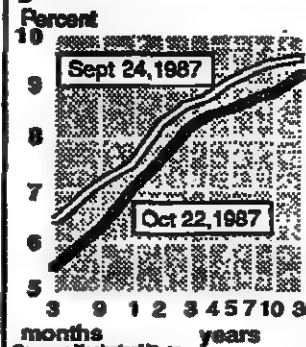
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## US Treasury yields



Source: Technical Data.

budget deficits so his huge concession, if it is ever realised, will help whittle down the deficit.

Although a consensus is forming that bond prices will fall a little further to take, for example, the long bond yield to around 8 1/2 per cent, analysts warn that trading will be very choppy as rates might rise a fraction in the meantime.

The Fed, which is in a "crisis management mode," one of its officials said last week, will continue under intense scrutiny. Members of its policy-making open markets committee will probably have a fraught meeting when they gather in eight days time on November 3.

Their trickiest task internationally will be to maintain confidence and value in the dollar.

Today, September's growth in personal income should be about 0.2 per cent, down slightly from earlier months. Consumption is likely to show no growth from August.

Tomorrow, September's durable goods orders are forecast to have risen at 10 per cent from August which was down 3.1 per cent from July.

Friday brings September's index of leading economic indicators. A small drop of around 0.3 per cent from August is expected.

But on the bright side, inflation and more importantly the excessive fears of inflation will ease substantially.

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Roderick Oram

Janet Bush

US DOLLAR		1 week	1 month	3 months	6 months	12 months
ADRI Bank 91/92	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 92/93	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 93/94	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 94/95	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 95/96	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 96/97	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 97/98	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 98/99	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 99/00	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 00/01	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 01/02	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 02/03	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 03/04	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 04/05	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 05/06	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 06/07	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 07/08	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 08/09	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 09/10	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 10/11	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 11/12	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 12/13	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 13/14	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 14/15	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 15/16	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 16/17	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 17/18	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 18/19	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 19/20	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 20/21	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 21/22	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 22/23	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 23/24	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 24/25	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 25/26	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 26/27	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 27/28	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 28/29	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 29/30	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 30/31	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 31/32	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 32/33	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 33/34	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 34/35	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 35/36	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 36/37	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 37/38	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 38/39	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 39/40	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 40/41	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 41/42	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 42/43	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 43/44	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 44/45	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 45/46	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 46/47	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 47/48	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 48/49	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 49/50	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 50/51	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 51/52	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 52/53	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 53/54	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 54/55	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 55/56	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 56/57	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 57/58	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 58/59	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 59/60	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 60/61	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 61/62	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 62/63	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 63/64	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 64/65	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 65/66	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 66/67	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 67/68	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 68/69	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 69/70	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 70/71	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 71/72	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 72/73	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 73/74	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 74/75	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 75/76	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 76/77	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 77/78	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 78/79	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 79/80	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 80/81	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 81/82	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 82/83	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 83/84	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 84/85	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 85/86	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 86/87	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 87/88	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 88/89	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 89/90	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 90/91	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 91/92	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 92/93	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 93/94	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 94/95	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 95/96	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 96/97	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 97/98	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 98/99	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 99/00	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 00/01	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 01/02	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 02/03	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 03/04	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 04/05	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 05/06	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 06/07	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 07/08	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 08/09	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 09/10	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 10/11	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 11/12	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 12/13	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 13/14	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 14/15	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 15/16	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 16/17	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 17/18	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 18/19	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 19/20	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 20/21	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 21/22	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 22/23	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 23/24	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 24/25	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 25/26	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 26/27	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 27/28	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 28/29	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 29/30	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 30/31	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 31/32	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 32/33	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 33/34	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 34/35	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 35/36	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 36/37	100.00	100.00	100.00	100.00	100.00	100.00
ADRI Bank 37/38	100.00	100.00	100.00	100.00	100.	



## UK COMPANY NEWS

## Matthew Brown rushes forecast to foil S&amp;N

BY CLAY HARRIS

Matthew Brown, the Blackburn-based brewer, last night predicted a 13.5 per cent rise in pre-tax profits to £10.9m in the year to next September. The forecast, audited by accountants Arthur Young, was released in an effort to prevent Scottish & Newcastle Breweries from securing victory today, the first closing date for its £189m takeover bid.

Matthew Brown also said that based on management accounts to the end of August, pre-tax profits for the year just ended would reach £9.6m, a 5.3 per cent decline on the £10.1m reported in 1985-86. Earnings per share have risen to 21.5p (27.36p).

It forecast total net dividends

of 18p in 1987-88, compared with the 15.5p planned for 1986-87.

The forecast was rushed out because of fears that S&N's alternative offer of 750p in cash which will be closed today if the Scottish brewer receives sufficient acceptances to declare the bid unconditional - might prove irresistible in the wake of last week's collapse in world share prices.

The cash offer compares with Matthew Brown's closing price of 725p on Friday and the 645p value of S&N's three-for-one share offer.

Matthew Brown and its advisers, Schroders, failed late on Friday to convince the Takeover Panel to force S&N to leave the cash terms on the table for at

least two weeks after the bid goes unconditional.

The panel is believed to have indicated that it saw no reason to make an exception to the rule that an underwritten cash bid can be closed immediately.

Mr Peter Cadbury of Morgan Grenfell, advising S&N, described the plan to issue an 11th hour forecast as "a strange and desperate-sounding move" of questionable credibility. Nevertheless, he said, it meant that shareholders would have all the facts in time to decide on the cash offer.

The Campaign for Real Ale, meanwhile, repeated its support for Matthew Brown's continued independence.

## Dexion Comino plans SE comeback

BY RICHARD TOMKINS

Dexion-Comino International, an unquoted company claiming to be Europe's leading supplier of storage and handling systems, plans to return to the London stock market early next year at a market capitalisation likely to exceed £100m.

The flotation is expected to be through an offer for sale on the main market sponsored by J. Henry Schroder Wagg, the merchant bank. A stockbroker has not yet been appointed.

Dexion is based in Hemel Hempstead, Hertfordshire. It supplies materials handling systems throughout the UK and Europe, and has annual sales of about £110m. Its nearest competitor is the quoted materials handling group Waggoniers.

The issue will mark Dexion's return to the stock market after an absence of 12 years. The company surrendered its independence to Interlake of the US in 1974 after running into financial difficulties.

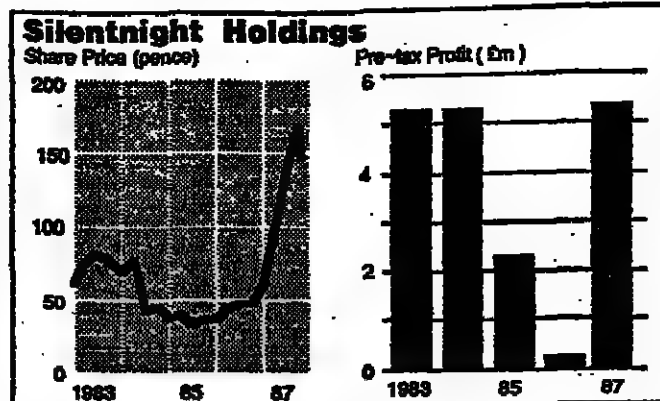
Interlake is a multi-national producer of engineered materials including aerospace components and materials handling systems. At present it owns the whole of Dexion's equity, but it proposes to sell off 25 per cent in February next year.

Mr Stephen Hinchcliff, Dexion's chairman, said his company had now been restored to financial health and Interlake considered that its prosperity would grow at an enhanced rate of it was spun off. However, Interlake had no plans to sell more than 25 per cent of its shares.

Mr Hinchcliff acknowledged that market conditions did not look favourable to new issue activity. "But we do not expect the present troubles in the equity markets to last into next year, and if they did, we could easily postpone the flotation."

## Ian Hamilton Fazey looks at Silentnight's successful comeback

## Beds that provide peace of mind



IF the senior managers of Silentnight Holdings are sleeping easier in their beds these nights, it is not just because the mattresses they are lying on are the latest high tech models currently gaining the company market share over their rivals.

Silentnight is on the way back with a vengeance. Two years ago it was suffering from disastrous labour troubles in which it sacked 348 strikers at its main bed manufacturing factory in Barnoldswick, near Colne, in the Lancashire Pennines.

Profits fell to a confidence-shaking £270,000, compounding a dive the previous year of £2.2m, caused by a squeeze on margins. Since the company had been on a three-year plateau of £2m-plus, Silentnight was clearly in trouble.

Yet last week's half-year figure of £3.3m was the best interim pre-tax profit Silentnight has ever reported. It came on top of last year's 12-month figure of nearly £5m on turnover of £88.5m. Mr Tom Clarke, the chairman, said that the current full year will be substantially ahead of that.

Henry Cooke, Lumsden, the company's Manchester-based brokers, says in its latest review of North-west regional companies that Silentnight should now be viewed as a growth stock in financial terms well ahead of ICI's £2.7m to £3m forecast.

Between mid 1984 and the end of 1986 the price of its shares jumped along the bottom in the 25p to 50p price range. This year's peak was 179p and even after last week's market plunges, it still closed on Friday at 149p.

Mr Tom Clarke, who is also the founder of the group, ascribes the recovery to four things - new and better management, £2m a year of capital investment, improved production and marketing, and the learning of some very sharp lessons from the strike.

He says: "We were non-union up to 1978. The strike created a picture of authoritarian management, but we're not like that. We were not blameless. We had lost touch with our workforce. We learned a very bitter lesson about staying close to the people who work for you."

"I learned it in the Royal Navy in the war. As soon as we passed the Liverpool bar the captain always came on the Tannoy and told us everything. It made all the difference to the way we behaved and fought. It is a basic principle of management. People here forgot."

An internal inquiry by the board into what had gone wrong

in the company revealed that the management cadre had isolated itself from day-to-day contact with the shopfloor and its mood. Supervisors and workers complained of 'not seeing the bosses' and not knowing what was going on. Mr Clarke says the situation was exploitable by 'extremists' and was.

Mr Clarke, who had been disengaged from close executive management since 1978 and had already tried to retire, was appalled. Changes ensued, with Mr Arthur Beattie, an old hand, acting as a managerial sheet anchor and restoring stability and contact to labour relations.

A new chief executive was recruited: Mr Chris Burnett, aged 46, a Harvard Business School masters graduate with five years' experience of McKinsey, who had been running a division of Whitecroft, the textiles group, in Wiltshire.

The bed making company went back to being a non-union shop paying well above union rates. This was despite a union campaign to get retailers and consumers to black Silentnight products, which ultimately succeeded when the Co-op, after an inquiry into both sides' claims, refused to join in.

Mr Clarke says he is not anti-union and cites the continued unionisation of subsidiaries in the 3,000-employee group making other types of furniture.

However, management style does not rely on unions to keep people in the know. All managers have had to learn to take the time to communicate properly and directly with the workforce, using formal methods such as publications and briefing groups, and informal means like chats during factory walkabouts.

Mr Clarke, now 66, thinks things are in safe enough hands to retire for good. The core of the group, the bed making factory, employs 900 now 100 up on pre-strike days. He will go on

November 2, the 42nd anniversary of his founding the company with his wife Joan, a mattress maker.

They used his wartime gratuity of £170 to get going as a two-person business. The name came in Christmas week of 1949 when trade was slack and they and their nine employees used some idle time in a brainstorming session to think of it.

Silentnight now claims between 25 and 30 per cent of the British bed market. Nearest competitors are in the 10-12 per cent range. In other furniture markets the group is in the pack with 8-10 per cent.

However, beds are where the group has its reputation and that is where Mr Burnett is concentrating much effort.

He says: "Design is the key - design and quality. We are registered under the particularly demanding BS5750 quality assurance standard and led the industry here too. Growth can only come from design and good products."

Refined industrial marketing to sales outlets also has something to do with it. Silentnight has its own 35,000 sq ft exhibition centre near Colne where it stages five packed trade shows a year, each running Sunday to Sunday, the peak days when 700 lunches are served.

The five shows cost only as much as one stand at the annual Easitex Court furniture exhibition, now abandoned by Silentnight as a marketing tool. Out of them has grown a marketing services subsidiary to help design, layout and merchandising in the stores.

Mr Burnett and his colleagues may be resting easily at night, but they are certainly not resting on their laurels.

## Second half recovery at Bridport

Bridport-Gundry, maker of netting and twisted and woven products, staged a recovery in the second half to produce a pre-tax profit of £2.24m for the year ended July 31 1987, compared with £2.84m.

First half profit fell to £442,000 (2024,000). The results were achieved in the face of delay in placing defence orders on both sides of the Atlantic. By building up other activities the group was able to replace a shortfall of nearly £2m in defence turnover with other work, albeit at lower margins.

Turnover in the year came to £37.5m (£37.6m) and gross profit to £9.7m (£9.21m). Earnings worked through at 13.47p (19.13p) and the final dividend is 5.1p for a total of 7p (6.25p). There was an extraordinary debit of £243,000.

KEYWOOD WILLIAMS purchased Richmond Glass for 300,000 shares and £700,000 cash. Richmond makes framed mirrors; for 1987 profits are expected to be £190,000.

## TI sells machine-tool interests in £6.5m deal

BY CLAY HARRIS

TI Group, the engineering company, will today sell its remaining machine-tool interests for £6.5m to TMG Engineering, a newly formed UK company in which management has an equity stake of up to 20 per cent.

The disposal will include Newcastle Foundries, based in Newcastle-under-Lyme, Matric-Churchill Corporation in the US, and Coventry-based TI Machine Tools. The third will be renamed Matric-Churchill.

The order book for the three divisions stands at present at a

record £40m. TMG will pay TI an initial £4m in cash with the balance deferred for six months.

Mr Paul Henderson, former TI Machine Tools sales director, will become managing director of TMG. The buy-out is backed by a consortium of European banks, including one from the UK.

Last month, TI sold Rockwell Machine Tools and Bennett Tools for £1.25m to Hardie International, a private company based in Manchester.

## Nevi sells its stake in Baltic

Nevi, the Norwegian group, has sold its 18.2 per cent holding (8.46m shares) in Baltic, the asset finance and property group, to Mr Hans Petter Aas and Mr Goodmund Ronningen have resigned as directors of the company.

The same number of shares were acquired by Banque Paribas Capital Markets which

placed 3.4m with institutional investors and now holds about 8.6 per cent (3.06m shares).

TECHNITRON has acquired a group of companies, including Alternative Printer Sales, active in the distribution of computer peripheral products and based in Dublin. Annual sales approach £1m.

## Thames Water

UNAUDITED STATEMENT OF RESULTS FOR THE HALF YEAR ENDED 30th SEPTEMBER, 1987

	6 months to 30th September		12 months to 31st March	
	1987	1986	*1988	1987
	£M	£M	£M	£M
Turnover	285.6	270.9	583.4	549.5
Trading Profit	108.3	102.4	222.3	212.7
Interest	(6.5)	(13.3)	(12.5)	(22.3)
Profit after interest	101.8	89.1	209.8	190.4

## NOTES

- This unaudited statement has been prepared under the same accounting policies used in the statutory accounts for the 12 months ended on 31st March, 1987.
- Trading profit is stated after charging depreciation on the basis of historical costs.
- Thames Water is not liable for corporation tax.
- \* The 12 months figures to 31st March 1988 are forecasts based on expectations in October 1987.

STATEMENT BY THE CHAIRMAN, ROY WATTS, C.B.E.

Commenting on the results, Roy Watts, Chairman of Thames Water Authority said "Our continued drive for efficiency, whilst still maintaining high standards of service to customers, has resulted in the first half year's profit target being exceeded. Prospects for the second half year are equally as encouraging."

The present buoyant cash position will continue throughout the remainder of the year. All capital expenditure will be financed internally, with an additional £100m available for early debt repayment.

We are increasingly selling our wide experience of integrated River Basin Management overseas to provide future profits for our customers."



RUNNING WATER FOR YOU

Thames Water, Nugent House, Vastern Road, Reading RG1 8DB.

## Mellerware midway loss

Mellerware International, kitchen appliance manufacturer, incurred a pre-tax loss of £204,000 in the six months to June 30 compared with £220,000 profits in the six months to June 30 last year. Turnover rose from £5.44m to £7.21m.

After no tax (£16,000), losses per 10p share were 6.9p compared with earnings of 3.6p last time.

At the end of May, Howmac, a company established by Mr Sandy Saunders, acquired a 29.9 per cent stake in the company and Mr Saunders became chairman of Mellerware. The transaction formed part of a refinancing package being assembled for Mellerware by Singer & Friedlander, merchant bank.

Berisford's property trading arm was involved in the financing of the purchase and simultaneous break-up of a portfolio of 15 office buildings. It has retained a 50 per cent interest in five of the properties, totalling about 1m sq ft.

## S&amp;W Berisford

S&W Berisford, the diversified sugar producer facing a hostile takeover, bid £4m Associated British Foods, said yesterday that it had made a £10m (28m) profits on a transaction involving 15 office properties in Manhattan.

## E Upton losses fall

Reduced losses of £171,991 were reported by E Upton and Sons, department store operator, for the 28 weeks to August 11 against £231,284 in the 28 weeks ended August 12 1986.

Included in the result is a £92,240 (£79,887) pre-tax loss from its photographic subsidiary McKenna and Brown, which contributed £1.97m (£222,165) to group turnover, of £2.64m (£2.01m).

## FT Share Service

The following security has been added to the Share Information Service:

Dolphin Packaging (section: Industrials).

## Bank of Tokyo (Caracao) Holding N.V.

GUARANTEED FLOATING RATE NOTES DUE 1993

Payment of the principal of, and interest on, the Notes is irrevocably guaranteed by The Bank of Tokyo, Ltd. (Incorporated in Japan)

In accordance with the provisions of the Agency Agreement between Bank of Tokyo (Caracao) Holding N.V., The Bank of Tokyo, Ltd., and Citibank, N.A., dated October 16, 1978, notice is hereby given that the Rate of Interest has been fixed at 8.75% p.a., and that the interest payable on the relevant Interest Payment Date, April 26, 1988, against Coupon No. 17 will be U.S.\$4,543.52.

October 26, 1987, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

This advertisement is issued in compliance with regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued ordinary shares capital of Chartsearch plc in the United Kingdom. It is emphasized that no application has been made for these securities to be admitted to listing.

## CHARTSEARCH plc

(Incorporated in England under the Companies Act 1948-1979 No 1240222)

Floating by

FISKE &amp; CO.

of £142,800 Ordinary Shares of 1p each at 10p per share

Share capital: Issued and now being issued fully paid

Authorized: 200,000 Ordinary Shares of 1p each £200,000

Chartsearch plc is engaged in the publication and sale of newsletters and books and the marketing of its customer database.

Full particulars relating to Chartsearch plc are available in the statistical services maintained by Emt Statistical Services Limited. Copies of these particulars can also be obtained during normal business hours up to and including 25th October, 1987 from the Company Announcements Office of The Stock Exchange and until 6th November, 1987 from

Fiske &amp; Co.

Saffery House

London WC2E 7HT

ECM 628

29th October, 1987

U.S. \$200,000,000



## The Kingdom of Belgium

Floating Rate Notes Due October, 1994

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 26th October, 1987 to 26th April, 1988 the Rate of Interest on the Notes will be 8 1/4% per annum. The interest payable on the relevant Interest Payment Date, 26th April, 1988 will be U.S. \$10,248.08 per U.S. \$250,000 Note.

Agent Banks:

Morgan Guaranty Trust Company of New York

London

Wells Fargo &amp; Company

U.S. \$200,000,000

Floating Rate

Subordinated Notes

due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period from 26th October, 1987 to 27th November, 1987 the Notes will carry an Interest Rate of 7 1/2% per annum. Interest payable on the relevant interest payment date 27th November, 1987 will amount to US\$66.11 per US\$100,000 Note and US\$330.55 per US\$300,000 Note.

Agent Bank:

Morgan Guaranty Trust

Company of New York

London

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities.

## The Shield Group plc

(Incorporated in England under the Companies Act 1948 to 1981 No. 1728933)

10,546,167 5.84% Net Convertible Cumulative Redeemable Preference Shares of £1 each issued by way of a placing and open offer to ordinary shareholders

1,500,000 5.84% Net Convertible Cumulative Redeemable Preference Shares of £1 each issued by way of tender consideration

Application has been granted by the Council of The Stock Exchange for permission to deal in the above mentioned Convertible Preference Shares in the Unlisted Securities Market. It is emphasized that no application has been made for these securities to be admitted to listing.

Particulars of the Convertible Preference Shares are available in the Emt Unlisted Securities Market Service. Copies of the circular to shareholders dated 29th September 1987 containing further details in connection with the issue, including particulars of the Convertible Preference Shares, may also be obtained from the Company and, during normal business hours on any weekday (Saturdays and public holidays excepted), up to and including 9th November 1987 from:

The Shield Group plc

10th Avenue Road

London NW3 3EP

Capel-Care Myers  
65 Holborn Viaduct  
London EC1A 2EU  
(A Member of the ANZ Group)

26th October 1987.

FINANCIAL TIMES STOCK INDICES											
	Oct. 23	Oct. 22	Oct. 21	Oct. 20	Oct. 19	Oct. 15	1987 High	1987 Low	Since Completion High	Since Completion Low	
Government Secs.	87.50	86.06	85.47	85.21	83.73	84.90	93.32	84.49	127.4	49.18	
Fixed Interest	91.96	91.90	91.75	91.11	91.05	91.50	99.12	90.23	150.4	50.53	
Ordinary	1296.8	1435.3	1527.3	1439.2	1429.2	1812.9	1926.1	1320.2	1926.2	49.4	
Gold Mines	386.4	399.0	396.8	427.6	444.2	463.3	497.9	288.2	734.7	43.5	
FT-Aut All Share	930.33	953.46	1007.47	951.95	1072.40	1189.92	1236.57	835.48	1238.57	61.92	
FT-SE 100	1795.2	1833.2	1943.8	1801.4	1052.3	2901.9	2443.4	1674.5	2443.4	986.9	



**Bryant Construction**  
Invest in Quality  
Solihull  
Bracknell

## \$15m office project in Glasgow

Glasgow Council gave planning permission last month for a 100,000 sq ft office development in Waterloo Street, Glasgow. The £15m project, which is being developed by RUSH & TOMPKINS GROUP and LAW-FIELD ESTATES, involves the construction of offices with atrium and wall-climber lifts behind the three listed classic built sandstone facades. The 1900 building was originally designed as a static circus, but was never used as such, being altered during the course of construction to become a post office, sorting office and counter unit. Start date for the 18-month construction programme is early in the New Year.

## South Bank luxury apartment block



An artist's impression of the central courtyard, with a horse-drawn carriage in the foreground.

MYTON has been awarded a £3.5m construction and refurbishment contract at Elm House, London, an office block previously occupied by Thomson International Publishing, on behalf of the new Swedish owners Citadell through Central London Securities. Myton, a construction and specialist company in the Taylor Woodrow Group, will undertake the fast-track project in only 30 working weeks, with completion due in May 1988. Externally the building will take on a fresh appearance with the use of a new specialist enamel finished metal cladding, the replacement of existing windows with double glazed units, and at ground level, the reconstruction of the existing entrance facade. Internally the building is being completely stripped out and refurbished. The work will include replacement of all existing services in particular the provision of full air conditioning, new toilets, raised access deck flooring and finishes throughout.

FIELD DAVIS has been awarded a contract, worth £250,000, for conversion and new build at Shackleton Lane, London E8. The contract includes construction of a terrace of four houses, all fronting onto a landscaped patio area which forms the central feature of the development. The client is County and Provincial Properties.

TAYLOR WOODROW CONSTRUCTION has been awarded a contract, worth £270,000, by Lothian Health Board for alterations and remedial works at the Royal Infirmary, Lauriston Place, Edinburgh. The work, for completion in January, involves upgrading three wards including mechanical and electrical installations.

Jacobs Island Company has awarded a £25m construction management contract to TROLLOPE & COLLS MANAGEMENT (a Trafalgar House company) and joint venture partner LEBER MOGOVERN INTERNATIONAL for a residential development in the Butlers Wharf conservation area on the south bank of the River Thames near Tower Bridge. Focal point of the luxury apartments, some of which are in seven-storey tower, will be a circular courtyard faced in pebble blue brick. The overall design complements the character of the surrounding Victorian wharf buildings. The development includes a restaurant, specialty shop, and a health club with indoor swimming pool. Each apartment

## British consultants win three international bridge projects

Consulting engineers RENDEL PALMER & TRITTON, a High Point Rendel company, has been awarded a number of contracts worth \$7m for international bridge projects. In Bombay, India, Rendel will advise on a second road crossing at Thane Creek, following concerns over local design and construction deficiencies, and will also check on the repair procedures of the existing structure. Rendel will examine the design and oversee the construction of the 216m bridge which will be 1836 metres long, with three lanes in either direction.

Rendel has also been appointed to prepare a rapid scheme design and prepare pricing documents for the construction of a £150m road crossing across the Gulf of Corinth in Greece. The bridge will provide a west coast link between mainland Greece and the Peloponnese peninsula, currently joined only at Corinth. The

structure will need to cope with the region's frequent earthquakes as relative movements of up to two metres could occur across the 2.5 km wide strait. The company also has a \$2.2m (£1.3m) consultancy contract for Phase II of the Jamuna bridge project in Bangladesh, India, where Rendel is working as lead consultant with Nedeco of the Netherlands. The bridge will cross one of the world's largest rivers and will be about 6 km long. The Phase II study includes full economic assessment, tender design and building documents for the main river bridge, bridge approaches and river training works. Finally, Rendel Palmer & Tritton has been awarded a supervisory contract by the Turkish Government for the construction of the \$185m (£113.2m) Gunsova-Gerede motorway. Rendel will work in conjunction with Turkish consultants Yucsel Proje.

## BUILDING CONTRACTS

### £26m motorway extension

BAUFOR BEATTY CONSTRUCTION has successfully tendered for part of the M46 London-Oxford-Birmingham motorway. The work, worth £26.58m, from the Department of Transport, is situated south east of Birmingham, extending from the existing M42 to Shrewley Common, north east of Warwick. The contract comprises the construction of 10.5km of dual three-lane motorway, 2km of link roads to the existing M42 and an interchange with the A54. This will involve the excavation of some 1.8m cu metres of material, 900,000 cu metres of fill and some 500,000 cu metres of imported fill. Included is the construction of nine bridges, two underpasses, two culverts, a canal bridge and a combined side road and railway over-bridge, together with nine sign gantries. Completion is scheduled for September 1989.

Balfour Beatty Building has been awarded a contract to design and build an extension to the Necaneo factory in Run-corn, Cheshire. The project, worth £282,000, comprises a

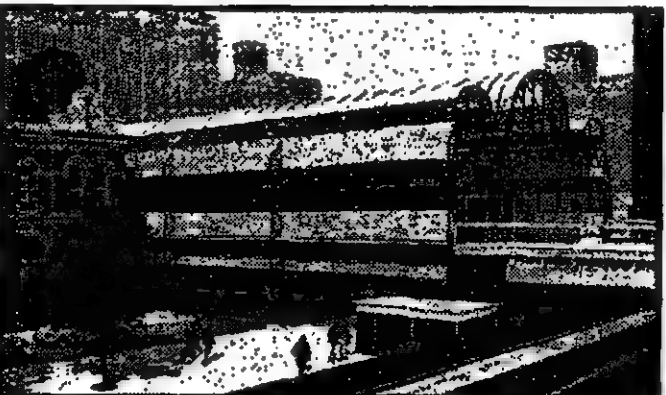
structural steel frame, profiled metal vertical cladding, 61m walls, metal deck roof with a felt finish, reinforced concrete ground floor slab with extensive machine bases, electrical and mechanical installations, drainage and external work. The project has also received a contract valued at £166,000 from AMC Exhibitions (UK) for enabling works to a proposed multi-screen cinema in Telford, Shropshire. The project comprises excavation, ground stabilisation, a retaining wall and drainage.

### Metal Box headquarters

HUNTING GATE has won contracts worth more than £17m. Among the awards is a £3m project to design and manage the new headquarters complex for Metal Box on a prominent Thameside site in Reading. A fully air-conditioned office building of 33,000 sq ft is being erected and among the facilities to be included are raised access floors, underground car parking and the creation of a riverside garden. A 12-month construction programme has been set and work has begun on site. The company has also been appointed to design and build a £3.4m project for Slough Estates - a development of the Slough Trading Estate. The 88,000 sq ft building which Hunting Gate is constructing incorporates a two-storey office block and a single-storey production unit. The scheme has already been pre-let to Crane Packing who will be expanding its Slough operations and using it as its headquarters.

Hunting Gate has also been chosen to construct a £3.1m £4,000 sq ft air-conditioned office complex consisting of two three-storey buildings in Borehamwood. It is a joint development between Hunting Gate Developments and Allied Dunbar Property Fund. A tight construction deadline has been set and the building is scheduled for completion by September 1988. In Dunstable the company has been appointed by Retail Parks to construct two units totalling 60,000 sq ft worth £1m. One unit has been let to Sainsbury's, a supermarket, while the other is a speculative development. Other retail contracts include a £5.9m development currently under construction for Sainsbury's at Borehamwood consisting of 183,000 sq ft of retail units on a 13 acre site.

### New Portsmouth station



Contracts valued at more than £7m have been won by GEOFFREY OSBORNE. Osborne is undertaking a £1.5m rebuilding scheme at Portsmouth and Southern High Level Station for British Rail Southern Network. The 32-week contract involves the demolition and reconstruction of the station canopy and platform. The new canopy has a Victorian flavour with its distinctive roof formed by three barrel vaults. The centre vault is clear plastic glazing on a lattice partial frame which will create a light and spacious effect in the station below. The whole platform area will be renewed and modern waiting room provided. At Godalming, Surrey, work has started on the £1.5m construction of the Godalming railway relief road for Surrey County Council. The new road will pass through the existing town centre and will involve complicated traffic diversions to ensure access to all properties. Completion is scheduled for October 1988.

A £1.95m contract for roadworks and sub-structures at Eastleigh Shopping Centre, Hampshire, has been awarded by management contractor Kyle Stewart. The 78-week project involves 4,000 sq metres of car parking and roadworks, with 18,000 sq metres of sub-structures comprising pad foundations, ground beams and floor slabs. Another management contract awarded to Osborne's civil engineering division is a £2m structural package for the Wimbledon Bridge project being undertaken by Wimpey Management. The 42-week contract is scheduled to start in November when Osborne will construct the foundations, basement and all floors for a six-storey steel-framed office block positioned south of the railway line. Adjacent to the office block, Osborne will construct a two-storey retail block and car park over and above the railway lines.

### UNITED SCIENTIFIC HOLDINGS PLC

#### Rights Issue

37,045,644 new 5.50 per cent.  
Convertible Cumulative  
Non-Voting Redeemable Preference Shares  
of £1 each at par

Share Capital following implementation of the Rights Issue	
Authorized	Issued
£22,954,356	£1,892,116
37,045,644	37,045,644
50,000,000	50,937,760

Full particulars of the new 5.50 per cent. Convertible Cumulative Non-Voting Redeemable Preference Shares of £1 each are contained in the listing particulars which have been published and are available at the EMI Statistical Services. Copies of the listing particulars may be obtained, together with copies of the latest available consolidated annual accounts of United Scientific Holdings PLC, during normal business hours (Saturdays and public holidays excepted) up to and including 28th October, 1987, from the Company's Announcements Office, The Stock Exchange, London EC2P 2BT and up to and including 9th November, 1987 from United Scientific Holdings PLC, Limited, 215 Strand, London WC2R 1LN and from:

#### N M ROTHSCHILD & SONS LIMITED

New Court, St. Swithin's Lane, London EC4P 4PU  
Brokers to the Rights Issue are:  
Rome & Phipps Ltd  
1 Finsbury Avenue, London EC2M 2PA

26th October, 1987

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an invitation to the public to subscribe for or to purchase any securities of the Company.

### P & W MacLellan plc to be renamed HADEN MACLELLAN HOLDINGS PLC

(Registered in England No. 30847)  
Introduction to the Official List and Merger of  
P & W MacLellan plc  
with  
Haden and Haleworth  
and  
Open Offer to Shareholders of  
14,791,968 New Ordinary Shares of 20p each

SHARING IMPLEMENTATION OF THE OPEN OFFER AND THE ACQUISITION OF THE ISSUED SHARE CAPITAL OF HADEN GROUP PLC AND HALEWORTH HOLDINGS LIMITED

Authorized		Issued	
£13,000,000	Ordinary Shares of 20p each	£10,055,804	
4,000,000	Preference Shares of £1 each	4,000,000	

In connection with the proposed acquisition of the whole of the issued share capital of Haden Group plc and Haleworth Holdings Limited, application has been made to the Council of The Stock Exchange for the New Ordinary Shares to be issued pursuant to the Open Offer to be admitted and the existing Ordinary Shares to be re-admitted to the Official List. Dealings are expected to commence on 30th October, 1987.

Full particulars of the Ordinary Shares are contained in the Listing Particulars which have been published and are available in the EMI Statistical Services. Copies of the Listing Particulars may be obtained during normal business hours (Saturdays and public holidays excepted) up to and including 28th October, 1987, from the Company's Announcements Office, The Stock Exchange, London EC2P 2BT and up to and including 9th November, 1987, from P & W MacLellan plc, Spaldings, Easter Road, Lincoln LN6 3BS and from:

#### J. Henry Schroder Wagg & Co. Limited

120 Cheapside, London EC2V 8DS

Brokers to the Introduction and the Open Offer are:

#### de Zoete & Beeson Limited

Edgware House, 2 Swan Lane, London EC4R 3TB

26th October, 1987

This announcement appears as a matter of record only:



a Collins-Wilde Group Company

£15,000,000 REVOLVING FACILITY

AGENT



ARBUTHNOT LATHAM BANK LIMITED

PROVIDED BY

Arbuthnot Latham Bank Limited

Royal Trust Bank (Switzerland)

Bank of Ireland  
National Australia Bank

Berliner Bank AG, London Branch  
Yorkshire Bank PLC

### Bristol & West BUILDING SOCIETY

£100,000,000

Floating Rate Notes 1992

Notice is hereby given that the Rate of Interest for the three month Interest Period commencing on 22nd October, 1987 has been fixed at 10 1/4% p.a. and that the interest payable on the relevant Interest Payment Date, 22nd January, 1988, in respect of Coupon No. 8 will be £129.61 per £5,000 Note.

COUNTY NATWEST

October 1987

US \$60,000,000

THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK

(Kongeriget Danmarks Hypotekbank og Finansforvaltning)

GUARANTEED FLOATING RATE NOTES DUE 1990, SERIES 82



Unconditionally guaranteed by THE KINGDOM OF DENMARK

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the six months 26th October, 1987 to 26th April, 1988 has been fixed at 8 1/4% per cent per annum and that the coupon amount payable on coupon no. 10 due on 28th April, 1988 will be U.S. \$4,289.06

The Sumitomo Bank, Limited

Reference Agent

This announcement appears as a matter of record only:

October 1987



### ELECTRONIC RENTALS GROUP P.L.C.

£75,000,000  
5 year evergreen

Multiple Option Facility  
to replace existing loan facilities

Arranged by  
COUNTY NATWEST

Underwriting Banks

Midland Bank plc  
Bank of Montreal  
Algemeene Bank Nederland N.V.  
CIC-Union Européenne, International et Cie  
The Sarwa Bank, Limited  
Credit Suisse

Additional Tender Panel Members

Banque Paribas (London)  
Hessische Landesbank-Gesellschaft  
Morgan Grenfell & Co. Limited  
Baring Brothers & Co. Limited  
Hill Samuel & Co. Limited  
The Tokai Bank, Limited

Facility and Tender Panel Agent  
NatWest Investment Bank Limited

© The NatWest Investment Bank Group







# FINANCIAL TIMES SURVEY



The first passenger services start today at the new London City Airport, the first all-new airport in Britain for 30

years and the first in the country built specifically for short take-off and landing aircraft. **Michael Donne,** Aerospace Correspondent, reports.

## City set for take-off

WITH THE first passenger services starting today at the new London City Airport - or Stolport as it is also known - the UK gets its first completely new airport for 30 years, since the new Gatwick Airport was opened.

Airports close to city centres can be found in various parts of the world. Belfast and Plymouth are examples in the UK, while Washington's National and Rio de Janeiro's Santos Dumont are others. Many more, such as Heathrow, are surrounded by built-up areas.

London's Stolport is, however, the first airport in Britain built solely for, and with its use restricted to, short take-off and landing fixed wing aircraft. It is also aimed specifically at the business traveller.

The new airport, which is to be formally opened by the Queen on November 5, has been built as a £32m private venture by John Mowlem, the construction engineering company, on a disused wharf between the Royal Albert and King George V docks, in what has been for several years the disused and derelict Docklands area of London.

The entire Docklands area has been, and still is, undergoing extensive redevelopment, under the direction of the London Docklands Development Corporation and with substantial infusions of cash from private commercial sources. As a

result, a major new business, industrial and residential community is growing up in that area.

The new airport is designed not only to serve that rapidly-expanding business community and the City of London itself, but also the even wider catchment area of East London, Essex and South Eastern England as a whole.

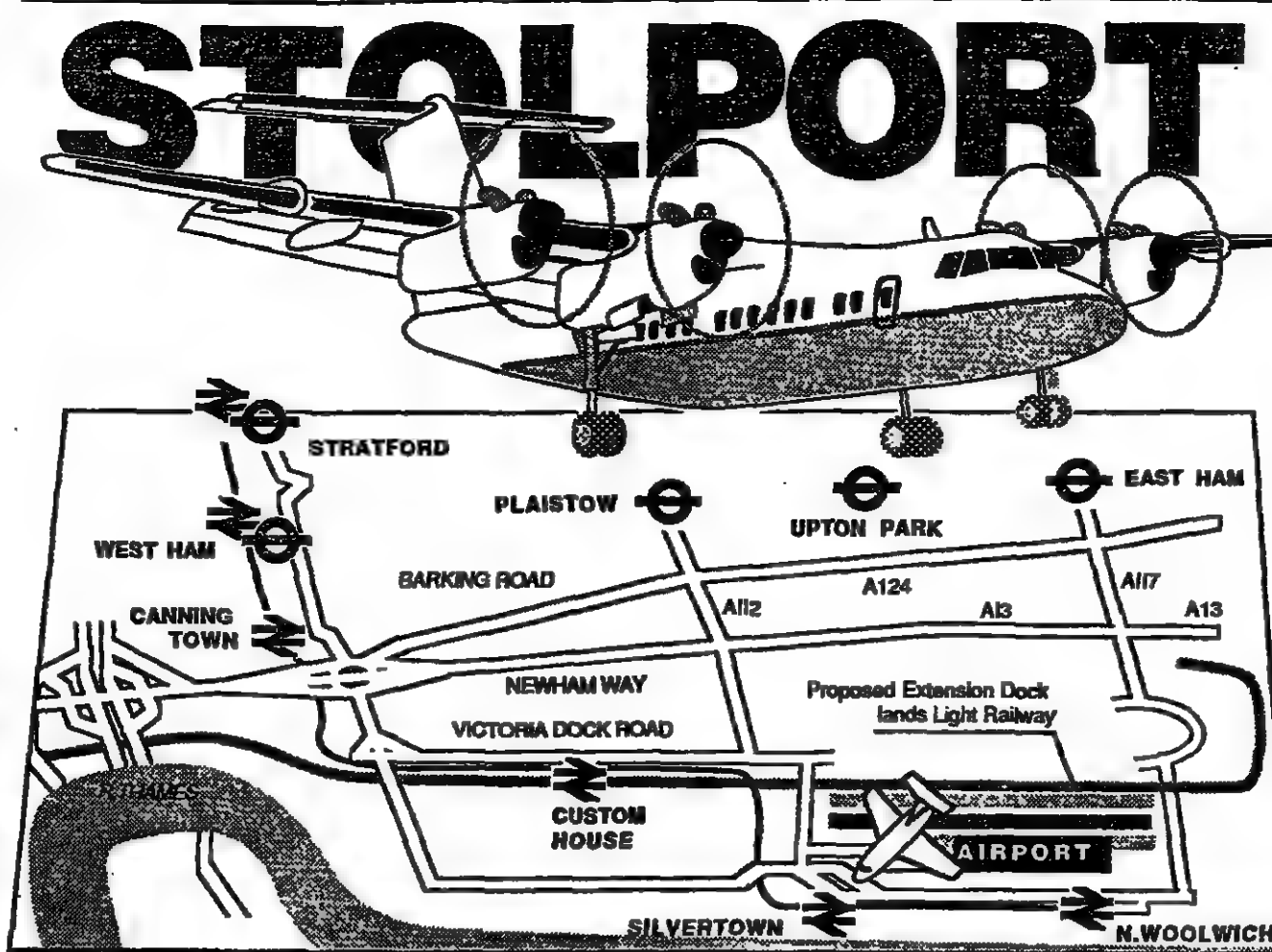
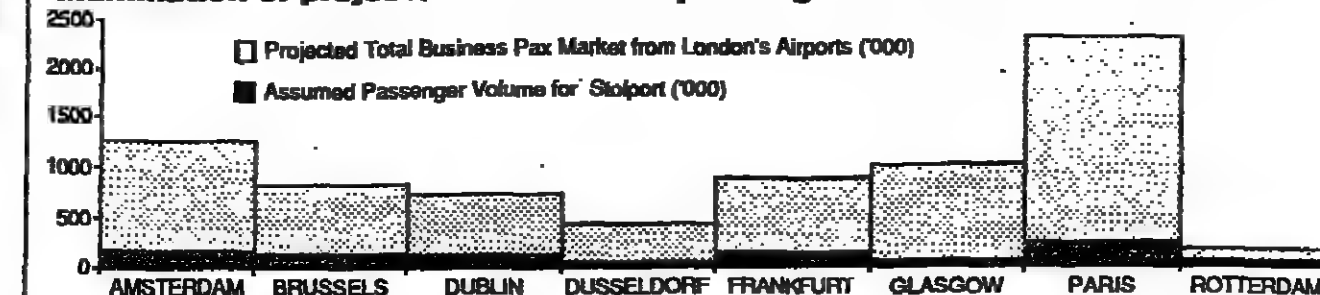
It is designed primarily for direct access by private cars or taxis (although many cab drivers do not yet know precisely where it is). It is 6.7 miles by road from the Bank of England, well inside the built-up area of London and reachable from the City in under half an hour depending on traffic conditions.

By comparison, Heathrow is 17.5 miles by road to the west of the City, Gatwick 30 miles to the south, and the newly-developing Stansted Airport some 32 miles to the north-east.

Public transport access is limited. The Central Line Underground to Stratford or District Line to West Ham enable connections to be made to the British Rail North London line, whose Silvertown Station is 400 yards from the Stolport, but services on the latter line are limited.

The new Docklands Light Railway does not currently go anywhere near the airport, and many observers believe that the

Examination of projected London area passenger traffic levels 1995



most rapid expansion in the use of the Stolport is only likely to be achieved by extending that railway to a point much closer to the airport terminal.

Existing plans provide for such an extension along the north side of the Royal Albert Dock, which if implemented would still require some form of transit bus service to the other side of the Dock where the terminal stands.

An extension directly to the terminal would be more convenient, but even the limited improvement allowed under present plans would enable connections to be made between Tower Gateway station (near the Tower of London) and Tower Hill on the London Transport underground railway network.

No firm dates for any such extensions have yet been set, but their early implementation would overcome one of the most often-quoted criticisms of the Stolport to date - its difficulty of access other than by road.

Nevertheless, many of those closely associated with the airport's development over recent years believe strongly that within a short period its existence will change travelling habits on short-haul Continental routes, especially among business users, and more particularly among Continental-based travellers coming to the City of London.

Success with the Stolport may well accelerate ambitions for similar airports in other UK and Continental City centres, and might well be the catalyst

for the extensive development of "commuter" type air transport operations in the UK.

The first services to and from the Stolport will be to Paris, operated in competition between Brymon Airways (in which British Airways has a 40 per cent shareholding), and Eurocity Express, an airline specially set up by the Airlines of Britain Group (which includes British Midland Airways, Loganair and Manx Airlines) to use the Stolport. At the same time, Eurocity Express will start services to Brussels, being followed there later by Brymon.

Both airlines have signed agreements with major foreign airlines: Brymon with Air France for its Paris operations, and Eurocity Express with Sabena of Belgium for its flights to

Brussels. Brymon has also been licensed for Amsterdam, Plymouth and Newquay, and Eurocity for Amsterdam, Dusseldorf, Rotterdam, Guernsey, Jersey and Manchester. Both are likely to seek further links with foreign airlines to ensure the rapid build-up of a network of operations from the Stolport.

The Stolport's ultimate capacity is 1.2m passengers a year, with a maximum permitted operation of 120 flights daily on weekdays and 40 a day at weekends and holidays, with flying confined (except in emergencies) to between the hours of 6.30am and 10pm Mondays to Saturdays, and 9am to 10pm on Sundays and Bank and Public Holidays, to protect the sur-

rounding areas from noise disturbance.

No club or recreational flying will be permitted, and strict conditions on aircraft noise levels are being imposed, with a ban on helicopters except in emergencies.

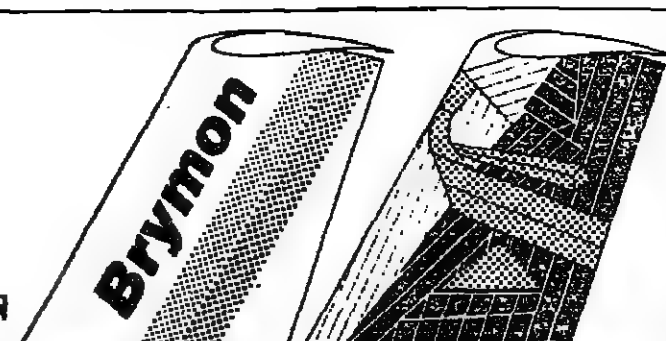
The terminal building is surprisingly large for a small airport, and is spaciouly designed, with such facilities as shops, restaurant, telephones and other amenities, including a business centre (run by British Telecom's Network Nine) with meeting rooms, self-contained "work areas", a boardroom suite and conference area.

Walking time from the centre of the terminal to the furthest aircraft gate is only four minutes.

Although John Mowlem and the two airlines initially using it call the new development the London City Airport (LCY) is its international designation, the popular and simpler designation of Stolport stems from the fact that although it is a fully-fledged airport, designed from the start with scheduled commercial passenger services in mind, its single runway is short, only 762 metres (2,500 feet) in length, although the actual length of available concrete is 1,030 metres.

As a result, its use is restricted to aircraft that have short take-off and landing characteristics, which include an ability to approach a landing at a much steeper angle (7.5 degrees) than normal, both to reduce environmental noise and to ensure the avoidance of actual or possible future tall structures in the locality.

It also means that the airport will always be restricted to short-to-medium distance flights, primarily for UK domestic and near-Continental destinations. As currently designed, large, long-haul aircraft (such as Boeing 747s or McDonnell Douglas MD-11s) will never be



## CONTENTS

The airlines: Stolport carriers bank on past experience and present expertise. Profiles of Brymon Airways and Eurocity Express. 2  
Financing: How the package was put together - and the expected returns. 4

Construction: building problems solved on a unique site. 3  
The aircraft: The official limitations and the aircraft which meet them. 4  
Flight pattern: Dovetailing Stolport air movements into busy airspace. 4

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It also means that the airport will always be restricted to short-to-medium distance flights, primarily for UK domestic and near-Continental destinations. As currently designed, large, long-haul aircraft (such as Boeing 747s or McDonnell Douglas MD-11s) will never be

able to use it, but this is no barrier to long-distance travel because many business travellers will be able to fly from the Stolport to connect with long-haul flights at Continental airports.

Indeed, this is one of the main reasons for the links already arranged between Brymon and Air France and between Eurocity Express and Sabena. The further discussions the two UK airlines are also holding with other Continental airlines are intended to ensure as big a potential traffic catchment area as possible.

Initially, the two UK airlines will operate flights from the Stolport both in their own right as well as on behalf of the two foreign airlines, but eventually it seems likely that as traffic builds up, both Air France and Sabena will buy their own Dash Seven aircraft, and conduct their own operations there.

So far, no other UK airlines have applied to the Civil Aviation Authority for licences to and from the Stolport, but some are known to be thinking of doing so soon. Also, several major foreign airlines are watching the Stolport closely.

Initially, only the four-engined turbo-prop 80-seat Dash Seven airliner, built by de Havilland Aircraft of Canada, will be used at the Stolport, having satisfactorily met the noise and short take-off and landing criteria laid down by the Department of Environment and Transport and the Civil Aviation Authority for operations there.

The DHC Twin Otter, a smaller, 19-seater turbo-prop Stol aircraft can also be used, although it is noisier than the Dash Seven, but so far no airline has applied to do so.

Both Brymon and Eurocity Express are equipping with Dash Sevens - Brymon has two already, with two more to come, while Eurocity Express has two and three more to come. They are planning to expand their

Continued on page 4

# Today, London gets a jump on the rest of Europe.

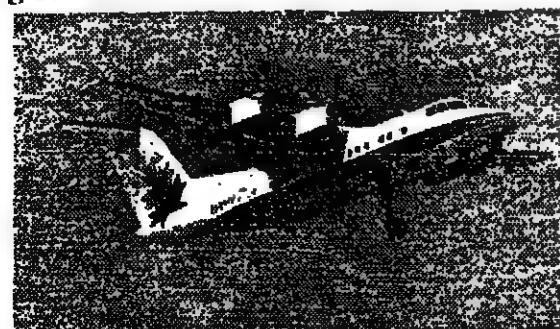
## Now let's keep it quiet.

Congratulations

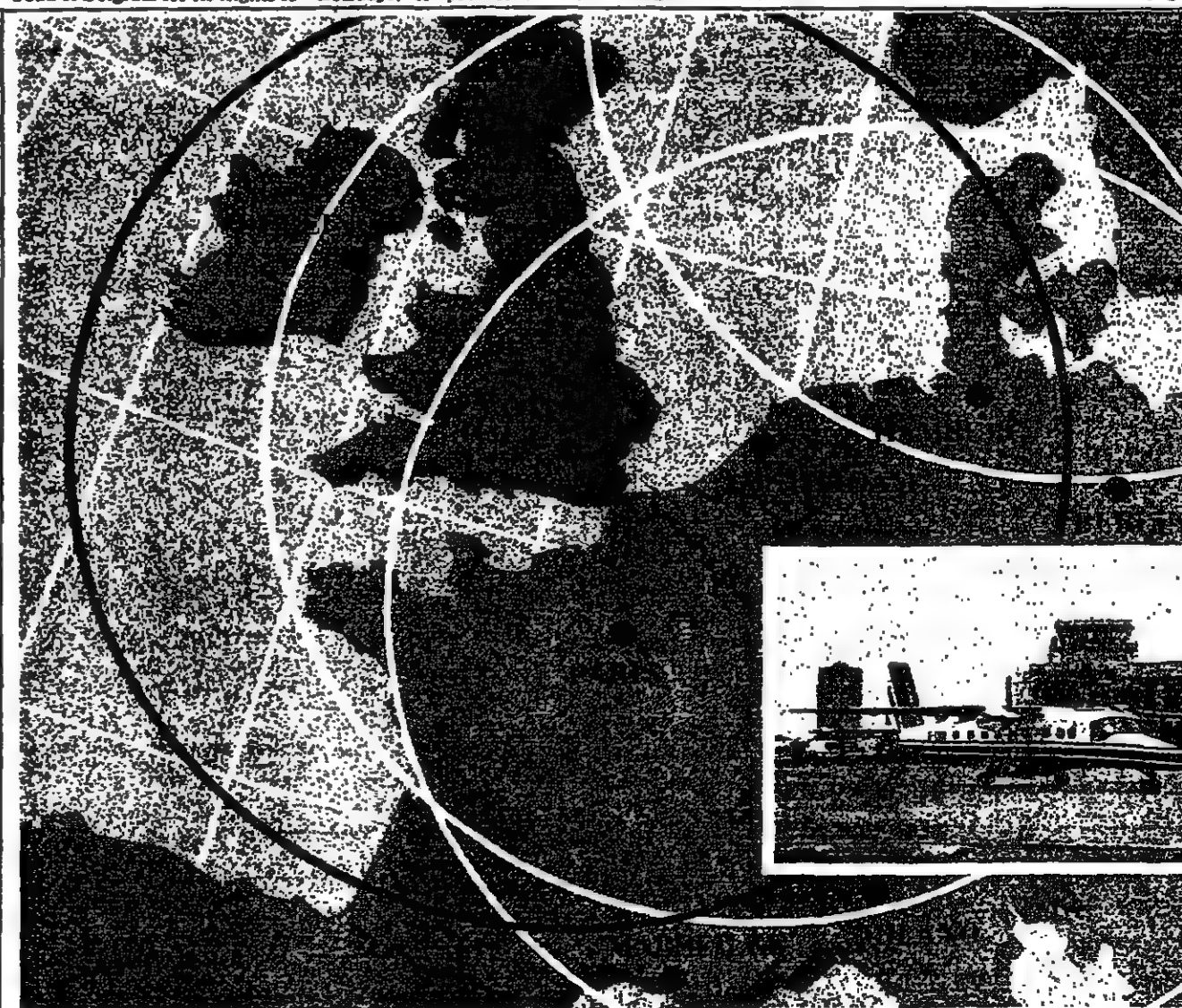
To the London Docklands Development Corporation and to John Mowlem & Company on the triumphant completion of the London City Airport.

To Brymon Airways and to Eurocity Express on introducing the first STOL services to business centres of Great Britain and western Europe.

From the Dash 7, which takes unabashedly quiet pride in getting all of the above off the ground.



**de HAVILLAND**  
A BOEING COMPANY CANADA



## DORNIER 228 - The Short Field Specialist.

The DORNIER 228 is the ideal aircraft for operations out of the London City Airport. The reason why?

The DORNIER 228 has an excellent take-off and landing capability (STOL). With its performance the DORNIER 228 is qualified for the London City Airport, and the low noise level also clearly meets the requirements.

The 19-seater DORNIER 228 combines passenger comfort you expect in much larger aircraft with the economical performance and quick turnaround you demand from a commuter. The secret to the 228's economical performance is Dornier's pioneering new wing. This exclusive aft-loaded airfoil design gives an optimum lift/drag ratio. The airfoil design provides

better climb and flight performance than any conventional wing, and improves twin-engine aircraft performance by more than 25%.

High landing weight and ample fuel capacity let the 228 fly 350 nautical miles without refueling. (IFR reserves included).

The 228 cabin is bright, wide and airy. The twin-engine turboprop provides a remarkably quiet ride. Glare-free lighting, large windows and the overhead wing give excellent visibility. The ergonomically designed fuselage means more passenger headroom, more shoulder and elbow space than any other comparable aircraft.

Contented passengers, superior economics and reliability guarantee a winner!

DORNIER 228... German Technology Makes It Best... by Design

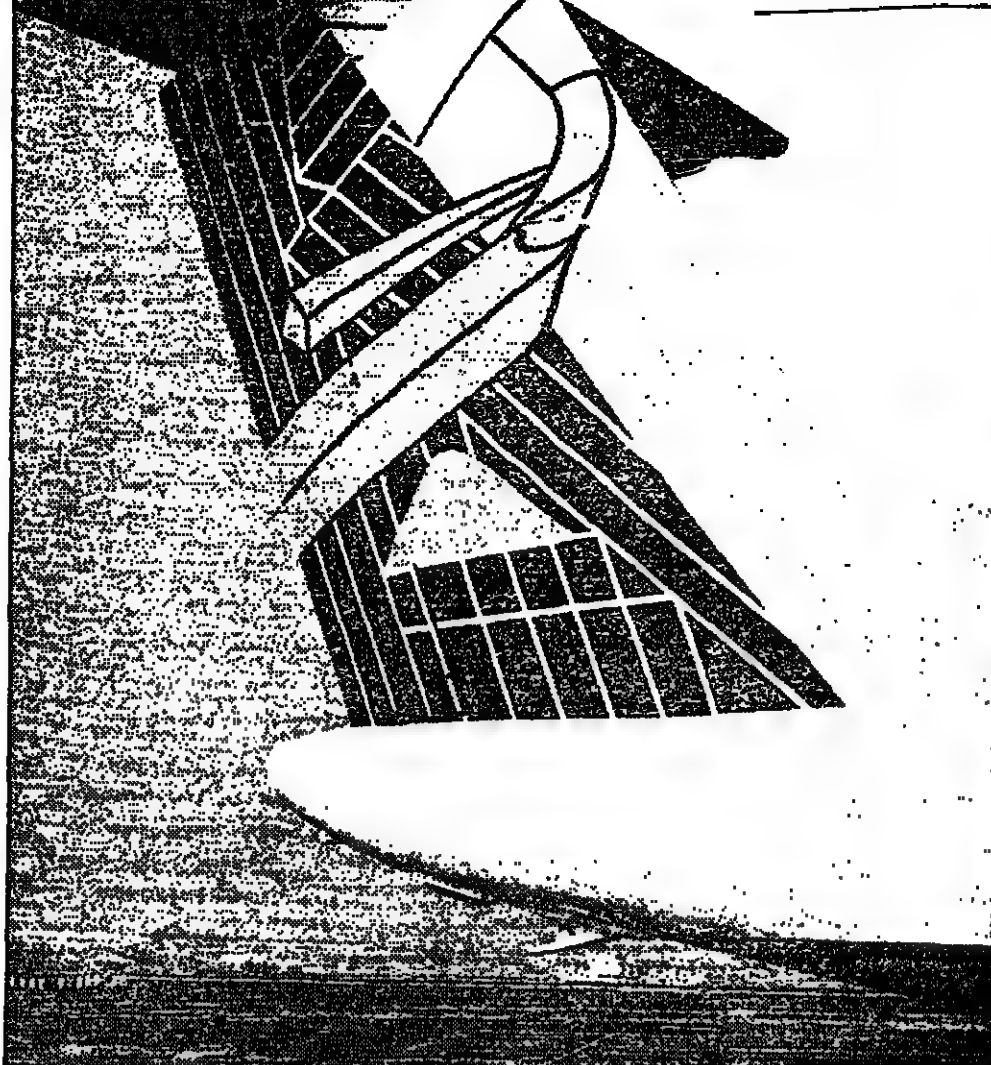
**DORNIER**

Dornier GmbH, Aviation Sales and Projects  
P.O. Box 2160, D-8000 Munich 66  
Federal Republic of Germany  
Phone 81 53 / 300, Telex 5 26 450



## STOLPORT 2

The two Stolport airlines are set to provide a brisk and efficient service for business travellers, based on a wealth of specialist flying experience. A fierce fight to win passengers has already started



Eurocity's pinstripe insignia



Brymon's Docklands service: an extension of its Dash Seven operations

Roger Taylor

## Specially-created carrier

OF THE TWO UK airlines currently licensed by the Civil Aviation Authority to operate air services into and out of the Stolport, one, Brymon Airways, is already an extensive and expanding regional operator, while the other, Eurocity Express, has been specifically created to conduct Stolport services by Mr Michael Bishop, chairman of the Airlines of Britain Group which also includes British Midland Airways, Manx Airlines and Loganair.

Eurocity Express has been licensed by the CAA to fly between the Stolport and Amsterdam, Paris, Brussels, Rotterdam, Guernsey, Jersey, Düsseldorf and Manchester. Mr Bishop says that before proceeding with the launch of Eurocity Express, his group "carried out considerable market research to establish the

profile of passengers likely to use the proposed services. "Business travel will be the dominant feature of the new services and we shall be using the experience gained over 33 years of operating scheduled services to tailor this new airline primarily for the businessman."

It is Eurocity's belief that small airlines, with their emphasis on the individual needs of their passengers, are likely to be the most successful at the Stolport. The business market to and from the City of London is a specialist market, and Mr Bishop stresses that "Eurocity Express is designed to serve that market with the backing and experience of its associated companies in the Airlines of Britain Group."

Mr Bishop says he decided to compete directly with Brymon Airways from the first day of

operations at the Stolport. "The more frequencies on more routes from the first day, the more people will use the airport."

He says that although the Stolport network will account for only about 15 per cent of the total activities of the Airlines of Britain group, it has cost some £5m in investment to set up the operation to date. He expects Eurocity to earn profits within three years.

Eurocity argues that the advent of the Stolport could conceivably revolutionise current European short-haul air travel habits. "Success in London will inevitably mean an acceleration of plans which are presently little more than pipe dreams for similar projects in principal European cities," says Mr Jonathan Wilson, Eurocity's director and general manager. "It is believed

that potential sites have already been mooted in Amsterdam, Glasgow, Manchester, Paris and Zurich.

"It is also likely to lead to dramatic changes in the way many business and other travellers will regard transport to and from the metropolis."

"And at the same time, people living in a huge area extending from the Medway towns to much of Essex, should find the Thames-side airport much handier to use than their present choice of Heathrow or Gatwick."

The airline, already dubbed the "Pinstripe Special" because of its distinctive logo showing a businessman's jacket, collar and tie, will operate up to five of the Dash Seven turbo-prop.

Speed and service will be the watchwords on Eurocity's services. From the facility of a ten-minute prior-to-departure check-in, to the in-flight catering aboard the 44-seat airliner, everything will be, in the airline's own words, "discreetly perfectionist."

The complimentary food and drinks will be to the best international standards and Eurocity will provide such conveniences as hanging space for suit carriers, car rental and taxi reservations and, eventually, airborne telephones.

Eurocity is taking a long-term view of its involvement with the Stolport, and has suggested amendments to the plans for the proposed East London River Crossing (the suspension bridge planned for construction just downstream of the Stolport runway), that would change its design to eliminate the towers which might be a hazard to future types of aircraft using the Stolport.

These amendments include either a bridge without towers or even a tunnel, neither of which, it is claimed, would add significantly, if at all, to the cost.

Such amendments to the proposed crossing, now under study, would, it is hoped, eventually allow the airline to use the 90-seat British Aerospace 146 quiet jet airliner at the Stolport.

This, Eurocity claims, would guarantee the airport's success well into the next century, enabling routes to be launched to more distant destinations, including Copenhagen, Milan, Zurich, Frankfurt, Madrid and Munich.

Michael Dome

## Pedigree of experience

BRYMON AIRWAYS was the first airline to become involved in the London City Airport, or Stolport, as the short take-off and landing airport was called when John Mowlem, the construction company first proposed the idea in December 1982.

The airline was also the first (and then the only) one in Britain to operate the Dash Seven four-engine, short take-off and landing aircraft, with 50 seats, one of only two types of aircraft permitted to operate from the airport. The other aircraft is the de Havilland Twin Otter.

This pedigree has ensured that Brymon Airways has more experience of the Stolport project and the short take-off and landing aircraft required to operate from the airport, than its rival at the London City Airport, Eurocity Express, but Eurocity is gaining experience of its Dash Seven aircraft fast and a fierce fight for passengers has already started.

Brymon is based at Plymouth, Devon and until the advent of the Stolport, has had a relatively hard time trying to maintain profitable services and expand on to new routes. Brymon hopes the opportunities it has at the Stolport will change all that.

Mr Charles Stuart, a former marketing director of British Airways, was brought in help to try to restore Brymon Airways

to profitable operation, at a time when it was close to bankruptcy, with losses of £2.5m on a turnover of £7m.

Mr Stuart came to Brymon in 1985 from British Airways, Mr Stuart's former employer, on December 31, 1985.

He is now chairman and chief executive of The Pinmill Line.

### Brymon has been involved with Stolport from the beginning

October 1983, when he succeeded Mr Bill Bryce, founder and principal shareholder of the Brymon group. This was after the airline had become involved with John Mowlem in promoting the Stolport concept for the Docklands.

Nevertheless, it has been largely up to Mr Stuart to help lift Brymon from its past sluggish performance and provide the marketing ideas that are likely to be crucial to the success or failure of Brymon's operations from London City Airport.

Mr Stuart came to Brymon at the request of de Havilland Canada, which acquired Brymon in December 1983. He intended originally to stay "no more than a year," but stayed on during 1985 to help de Havilland sell Brymon to British interests.

In the event, Mr Stuart and his colleagues acquired Brymon, with a minority trade invest-

ment from British Airways, Mr Stuart's former employer, on December 31, 1985.

He is now chairman and chief executive of The Pinmill Line.

Brymon was awarded licences to operate from London City to Paris, the first service from the airport to start from October 28, with the operational opening of the airport, and to Brussels and Amsterdam. There will also be a Brymon service from London City to Plymouth/Newquay.

Brymon now has three Dash Sevens. It has ordered two more for delivery before next April to serve Amsterdam in April and Brussels at a later date to be decided. The airline is also evaluating further routes, including Exeter, Jersey, Belfast Harbour and Frankfurt.

To serve all these destinations, Mr Stuart and his team have conceived "Cityclass" as a fresh approach to attract business travellers. Mr Stuart wants Cityclass to become known as the automatic way for Stolport passengers to travel - in the same way that the shuttle concept has become a way of describing a turn-up and take-off service.

Lynton McLean

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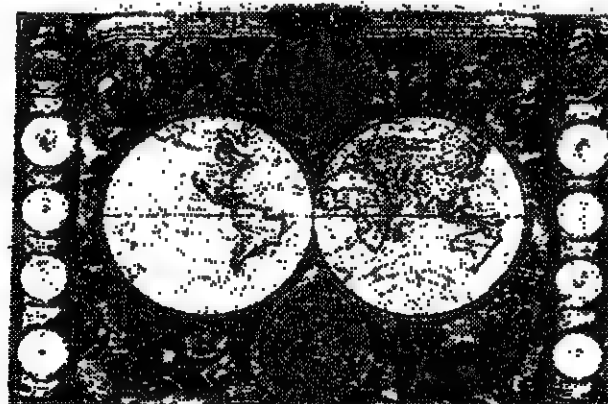
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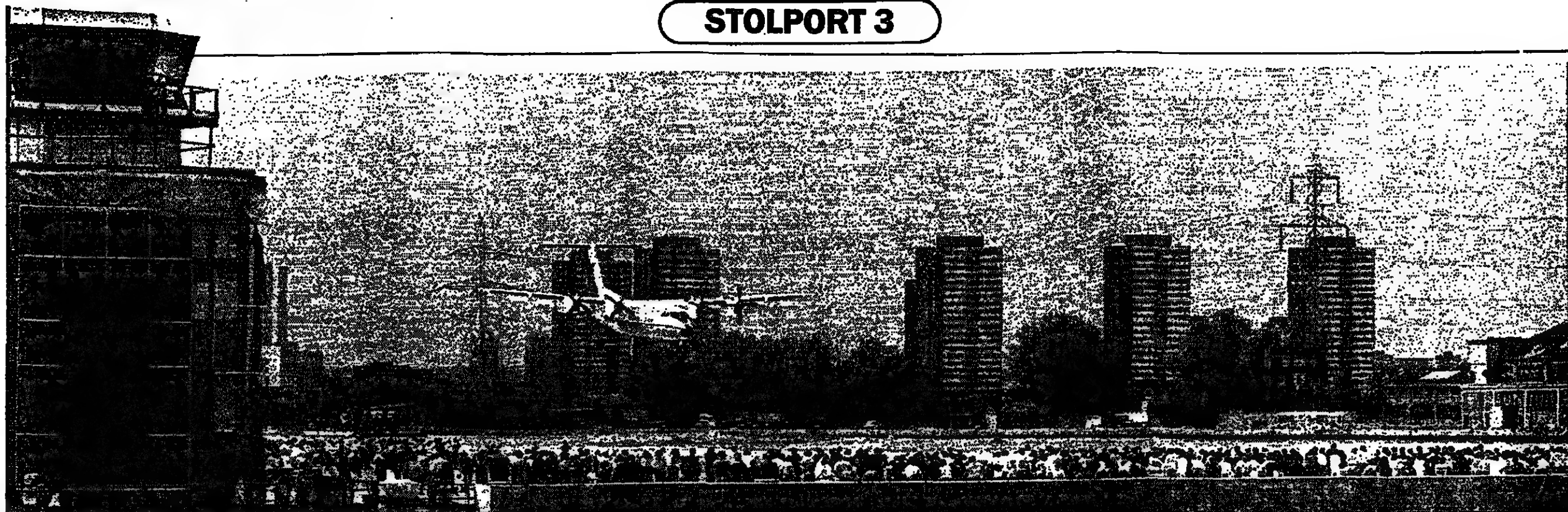
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## STOLPORT 3



A Dash Seven comes in to land - with the airport's unusual high-rise surroundings seen behind

Trevor Humphries

Traffic projections suggest that the airport's developer can expect financial success, says Michael Donne

## Aim of reaching break-even in three years

THE £22m COST of building the London City Airport so far is being met by John Mowlem, the airport developer, owner and operator, in several ways.

A loan of £2m has been obtained from the European Investment Bank, with another £2m being covered by loans from other financing institutions now being discussed. The remaining £10m is being met from John Mowlem's own internal resources, to ensure a debt-equity ratio on the venture of 50:50.

John Mowlem expects the airport to break even within three years, and to start earning profit thereafter.

This projection is based on estimates of traffic reaching about 550,000 passengers a year by 1990 (of which about 700,000 will be international passengers), and continuing to expand until the 1m level (including between 800,000 and 900,000 international passengers) is reached around the mid-1990s.

Traffic growth thereafter, beyond the airport's capacity of

1.2m a year, may lead to expansion of the facilities and the need for increases in the number of permitted movements.

These figures are based primarily upon the routes, both domestic and international, currently licensed by the Civil Aviation Authority from the Stolport, but they also include an element for additional traffic stemming from new routes that may be introduced by other British and foreign airlines moving into the Stolport in the years immediately ahead.

Current estimates by John Mowlem for traffic growth also envisage the number of Dash Sevens being used at the Stolport rising from four this year to eight by the end of 1988, and further to ten by the end of 1989 and 12 by 1990. These figures could change if other aircraft types are eventually introduced there.

On current forecasts Paris is likely to be the busiest of all the international routes currently planned from the Stolport, at

least in the initial years of operation.

By 1986, overall passenger volume on the Paris route from all the London area airports is expected to be about 4m. Of this, about 2.5m passengers will be business travellers, of which in turn the Stolport is expected to handle about 212,000 a year, or about 9.2 per cent.

The next busiest route seems likely to be Amsterdam, with a total London area traffic level of about 2.2m by 1985, of which in turn over 1.25m will be busi-

ness travellers, of which Stolport will handle some 140,000 or about 11.2 per cent.

The London-Brussels route will be handling some 1.2m passengers by 1985, of which some 820,000 will be business travellers, of which Stolport's share in turn will be about 15 per cent or some 120,000.

For domestic operations, the busiest route is expected to be Glasgow, with a total London area passenger level of 1.4m by 1985, of which in turn more than 1m will be business passengers,

with Stolport handling 8.2 per cent or 53,000.

John Mowlem will operate the airport itself, providing all the staff other than those employed by the concessionaires (for example in the shops, restaurant and bars) and the air traffic control staff who are being provided by the Civil Aviation Authority's National Air Traffic Services.

The company expects the investment in the Stolport to be recovered as to 30 per cent through "traffic charges" - landing charges, aircraft parking and other fees payable by the airlines - with the other 70 per cent coming from "commercial charges", such as rents from concessionaires.

The landing fee per tonne for a Dash Seven airliner (weighing

about 20 tonnes) is set at £11, which compares with fees at local airports in the UK of £9.67 for Leeds-Bradford, about £10 for Bristol and about £9.90 for Teesside.

In addition, there will be a load supplement of £3.50 per passenger for domestic flights, and £7.50 for international flights, and a security levy of £1.50 per passenger, all paid by the airlines.

The revenue from concessions will include the charges for the duty-free shops, car hire franchises, hotel reservations desk, an estate agents' desk, a bureau de change, restaurant and bars, tobaccoist and confectioner's shop, car parking, advertising, a business centre and freight-handling agencies.

## Construction

## Varied solutions on an unusual site

CONSTRUCTION OF the new Stolport involved some unique civil engineering problems, including building the apron where the aircraft will stand over a water-filled dock.

The 52-acre site is bounded by the Royal Albert and King George V docks, on the north side of the Thames. Both docks are to remain filled with water, with the runway extending from east to west for the length of the original wharf between them.

The apron where the aircraft will stand, and the terminal building itself, are at the western end of the King George V dock. Construction has been completed in 12 months, under the control of Mowlem Management, in association with architects Richard Seifert & Partners and consulting engineers Donald Butler Associates.

The two-storey concrete-framed warehouses which covered much of the site had to be demolished before construction could begin. Of the three dry docks penetrating the site, the one at the eastern end of the King George V dock provided the greatest challenges since it was just in front of the terminal building site where the aircraft apron was planned.

This 250 metres by 30 metres dock had to be diked over, as filling alone would have provided insufficient bearing strength for the aircraft, and would have led to compaction.

The dock was temporarily dammed, then pumped dry. A total of 128 columns were then erected, rising from the dock base in two rows. Universal steel beams 30 metres long were

placed on top, to carry a concrete deck 230 millimetres thick.

Once this slab of concrete forming the aircraft apron was complete, the dock beneath was flooded again since the water provides long-term stability for the dock walls. The airspace above is permanently ventilated to prevent the build-up of gases.

The two other dry docks along the south quay of the Royal Albert dock were filled without difficulty, as neither is on the path of the runway pavement, but rather form part of the flat area at each end.

The single runway was then built along the east-west axis on the 140-metre quay between the Royal Albert and King George V docks. Although its declared length is 762 metres, the total surface area is 1,030 metres, 30 metres wide, with a 60-metre diameter turning circle at the eastern end and two 15-metre wide taxiways linking it with

the apron.

The runway was ready for the first aircraft landing in May, this year.

Located at the western end of the King George V dock, the two-storey terminal building was constructed using piled foundations, and incorporates a novel frame of reinforced concrete up to first floor level with steel above.

This type of frame allowed a start on site while waiting for steelwork to be delivered, and made it possible for last-minute design changes on the ground floor to be incorporated simply by modifying the concrete framework.

The structural frame was completed by the end of 1986 and then roofed over, enabling work to continue inside. Externally, the 8,000 square metre building is clad in blue aluminium, with the airport's visual control tower with a 14-ton octagonal frame placed at its north-east corner.

The two-storey pier containing the access gates to the aircraft extends westwards from the terminal building and is 300 metres long. This provides a covered way for passengers to reach the aircraft stands via gate lounges.

The design includes a steep pitched roof to act as a noise screen for neighbouring properties.

Seven stands have been built initially, four for international flights, two for domestic flights and one for mixed operations as required. Three more stands are planned, as passenger throughput rises.

The site also includes a number of minor structures, including a power sub-station, maintenance hangar and fuel store, with a disused dock office building at the western end of the site converted to house the fire, waste and maintenance teams, with appliance garaging adjacent.

The interior decor of the terminal building, designed by Richard Seifert & Partners in conjunction with interior design consultants The Jenkins Group, emphasises "convenience and comfortable efficiency" with a simple and classic design.

The aims of the terminal are to offer fast departure and arrival without queues, with quick and easy access to aircraft, while also providing the full range of amenities expected by passengers at any airport - business and other facilities, a high-quality restaurant and prestige range of bars, lounges and retailing facilities.



Departure lounge takes shape as the airport nears completion

Michael Donne

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## STOLPORT 4



Air traffic controllers at work in the St. Pauli Tower

## Air traffic pattern

## Meeting the challenge

DEVELOPMENT of the new airport posed a considerable challenge for air traffic control planners, but the airport was licensed to handle passenger flights earlier this month. The first flight with passengers took off on October 14 and the ATC team was elated with an unusual job completed successfully.

The problems were related to the airport's unusual site; its relation to the rest of the London air traffic control area, one of the busiest in the world; and to the government planning authorities' insistence that only a specialised short take-off and landing airliner would be permitted to use the airport.

The site itself is hemmed in by tall flats and warehouses, industrial chimneys and former wharfedike cranes, creating immediate difficulties in the landing path.

The London Docklands Development Corporation wants to preserve the cranes as a reminder of the former maritime trading activities of the Royal Docks, yet their existence along the Royal Victoria Dock, directly in line with the runway, restricts the type of aircraft that

can use the airport and is in stark contrast to conventional airports surrounded by acres of uninterrupted grass.

In addition, the airport site is flown over by aircraft en route to the other London airports, especially Heathrow to the west of London.

So the air traffic control requirements of the St. Pauli came in addition to an already demanding ATC pattern in London and South East England. The use of a specialised short take-off and landing airliner and no other, more conventional, airliners added to the complexity of the problems.

Mr Gordon Doggett, group general manager for England and Wales at the Civil Aviation Authority, who is responsible for management of the air traffic services provided by the National Air Traffic Control Service at Heathrow, Gatwick, Stansted and other airports, said recently that the development had "stimulated and fascinated the minds of many observers," especially those involved with the aviation industry.

The airport is the first all-new

airport to be licensed by the CAA in England for 40 years. For the CAA, it has meant the development of "a completely new set of criteria and procedures to allow the operation of short take-off and landing aircraft into and out of an inner city site," Mr Doggett told a recent conference on the airport.

The Dash Seven can take off in a runway length of little over 2,000 feet. It is certified to land at an angle of 7.5 degrees, or more than twice as steeply as conventional aircraft. The Dash Seven can land at the more conventional approach angle of 3 degrees, but the 7.5 degree angle is required for the airport's approaches to avoid current and future obstructions and to minimise noise.

Mr Chris Platt, the airport's manager of air traffic control services, says that until the advent of London City Airport there were no procedures written by the Civil Aviation Authority for such a high angle of approach. The procedures had to be written specifically for the new airport and were completed after trials of the 7.5 degree approach at Stansted Airport.

The intensity of air traffic operations associated with London's other airports, Heathrow, Gatwick, Stansted and Luton, has meant careful planning to avoid "possible conflicts," Mr Doggett said.

The new airport is not in an ideal position for air traffic control purposes. The other London airports appear distant on a map, but the traffic patterns of aircraft using them traverse the airspace above and adjacent to the new airport. This makes integration of the Docklands airport's traffic into the established London Terminal Control Area "very difficult," especially since the control area comes down to a height of 2,500 feet above the new airport and is the zone used by aircraft bound for Heathrow.

Because of these complexities, the air traffic into and out of the Docklands airport is controlled from Heathrow, with its comprehensive radar facilities that give the fullest picture of air traffic in the whole region.

The National Air Traffic Control Service recommended that a "special rules zone" be established to cover the airspace around London City Airport and this was set up on October 1. It requires aircraft wishing to enter this airspace to call on the radio for permission from the Heathrow controllers.

Heathrow then puts the aircraft into the correct position for the approaches to the London City instrument landing system. About four to five miles from touchdown, a telephone call from Heathrow to London City hands final control to the controllers at the new airport. No aircraft can be cleared by the local controllers for take-off without clearance from Heathrow.

This work of air navigation services is provided by the CAA through NATS, under a contract awarded by London City Airport. The contract includes air traffic controllers and air traffic engineers.

The approach radar control unit for London City was installed in the Heathrow Approach Control Room, operating from two specially installed radar consoles. It uses the radar picture obtained from Heathrow's own radar. No new radar detection equipment was installed at the new airport.

Lynton McLain

The operating requirements are exacting, says Michael Donne

## Stringent conditions set for licensed aircraft

THE ENVIRONMENTAL and operational conditions for the St. Pauli which were recommended by the public planning inspector, and accepted by the Secretary of State for the Environment in approving the project, are severe.

They lay down that the operational length of the runway does not exceed 782 metres, thereby effectively restricting the types of aircraft that can use the St. Pauli to those with good short take-off and landing characteristics.

There is actually a total length of concrete of some 1,030 metres, stemming from the provision of what is called an "overlapping runway" - in effect additional areas at each end to ensure that the full 782 metres of operational length is available for use no matter from which direction a short-landing or take-off with the required 7.5 degrees slope is made.

One reason for this is that adequate clearance must be built into the approach and take-off patterns to take account of the proposed nearby East London River Crossing, currently envisaged for the early 1990s as a suspension bridge with tall towers.

Although there is pressure to revise the bridge design to remove the towers, the airport operator cannot guarantee that such a proposal will be accepted, and has to plan on the assumption that the suspension-type bridge may be built.

Except in emergencies, fixed-wing aircraft only will be allowed at the St. Pauli, which means no helicopter operations other than in emergencies. Nor will there be any club or recreational flying, and all flying must be within the hours of 6.30am and 10pm Mondays to Saturdays, and between 8am and 10pm on Sundays, Bank and Public Holidays.

The number of daily aircraft movements is restricted to 130 on weekdays and 40 on weekends and public holidays, and in any event, not more than 30,180 movements a year will be permitted.

The types of aircraft initially allowed at the St. Pauli will be those meeting the combined effect of these stringent conditions, especially relating to noise, and having the desired short take-off and landing performance.

This means, at least for the immediate future, the use of the de Havilland Canada DHC-7 (commonly called the Dash Seven), four-engine 50-seat turbo-prop, or the same manufacturer's 20-seat DHC-6 or Twin Otter.

The Dash Seven is noisier in some respects than the Dash Seven, but because some foreign operators may wish to use it (with well over 850 built, it is now one of the most popular light transports in the world), exception is being made for it on the basis that one Twin Otter movement counts as equivalent to 3.68 movements by the quieter Dash Sevens.

The Dash Seven is initially the preferred aircraft of the two airlines currently licensed to use the St. Pauli - Brymon Airways and Eurocity Express.

Each already has two of these aircraft in its fleet, with more to be delivered, and both operators have built up extensive experience with them in readiness for St. Pauli operations.

Although designed primarily as a 50-seater, Brymon will use it with 46 seats and Eurocity with 44-seat layouts, to provide the higher standards of comfort considered necessary to attract business travellers.

So far, no one has asked to use the Twin Otter, but such applications cannot be ruled out in future.

Clearly, however, major expansion of traffic at the St. Pauli will be based on the wider use of other types of aircraft in the years ahead, provided these can meet the same stringent noise and short take-off requirements.

The immediate interest in alternatives lies in the West German Dornier DO-228, a twin-engine turbo-prop light transport seating up to 18, and designed especially for utility and commuter-style operations. It is already in extensive service worldwide, with more than 180 delivered.

Recent flight tests for the Civil Aviation Authority showed that it could successfully fly the required 7.5 degree approach path into the St. Pauli, and Dornier expects that some airlines will ultimately opt to use the DO-228.

Manx Airlines (part of the Airline Group of British Airways) which Eurocity Express is also

a member) is considering it for a possible service linking the St. Pauli with Blackpool, while Dornier reports "considerable interest" from airlines throughout Europe. A French airline, Air Vendée, is studying the possibility of a European connection to the St. Pauli using the DO-228.

Some owners of small executive turbo-props have also expressed interest in using the St. Pauli. They will be allowed to do so only if their aircraft can meet the strict noise and St. Pauli characteristics laid down, and are strictly operated for business use.

There are a few such aircraft which, skilfully piloted, could meet the requirements. But so far no one has applied and any such aircraft movements would have to fall within the total number of movements permitted.

But even before the St. Pauli opens for business, there has been discussion of eventually moving up from the turbo-prop Dash Seven into the jet era, using the British Aerospace Type 146 80-seat regional jet airliner, with Eurocity Express in particular showing interest.

Inevitably, the idea is highly contentious, and has already been greeted with concern by residential communities around the St. Pauli, who argue that such a move would make nonsense of all the claims so far that the airport will be a "good neighbour."

Although the 146 is one of the quietest jet airliners now flying, it has demonstrated good short take-off and landing characteristics, any use of it at the St. Pauli would be acceptable only if it can meet the stringent noise rules already laid down. To rewrite those rules to allow the 146 to be bound to create fierce hostility among local environmental groups.

The design of the proposed new East London River Crossing is also significant, for even the 146's undeniable short take-off and landing capabilities would be restricted by a suspension bridge with tall towers.

BAA has said, however, that a revised bridge design without the towers would enable the 146 to use the St. Pauli with a less demanding 3.5 degree approach gradient.

The 146 would also require

the addition of some 170 metres of runway concrete over the total of 1,030 metres (including the length of the "overlapping runway") currently available, to a total of 1,200 metres, to enable it to operate into and out of the airport. Space for such an extension already exists.

At present, the case for using the 146 appears to be based both on passenger traffic at the St. Pauli exceeding original expectations, requiring the use of the larger aircraft so as to contain that traffic within the limits for aircraft movements already laid down, and on the possibility of any airline wishing to introduce longer-haul routes than are currently possible with the Dash Sevens.

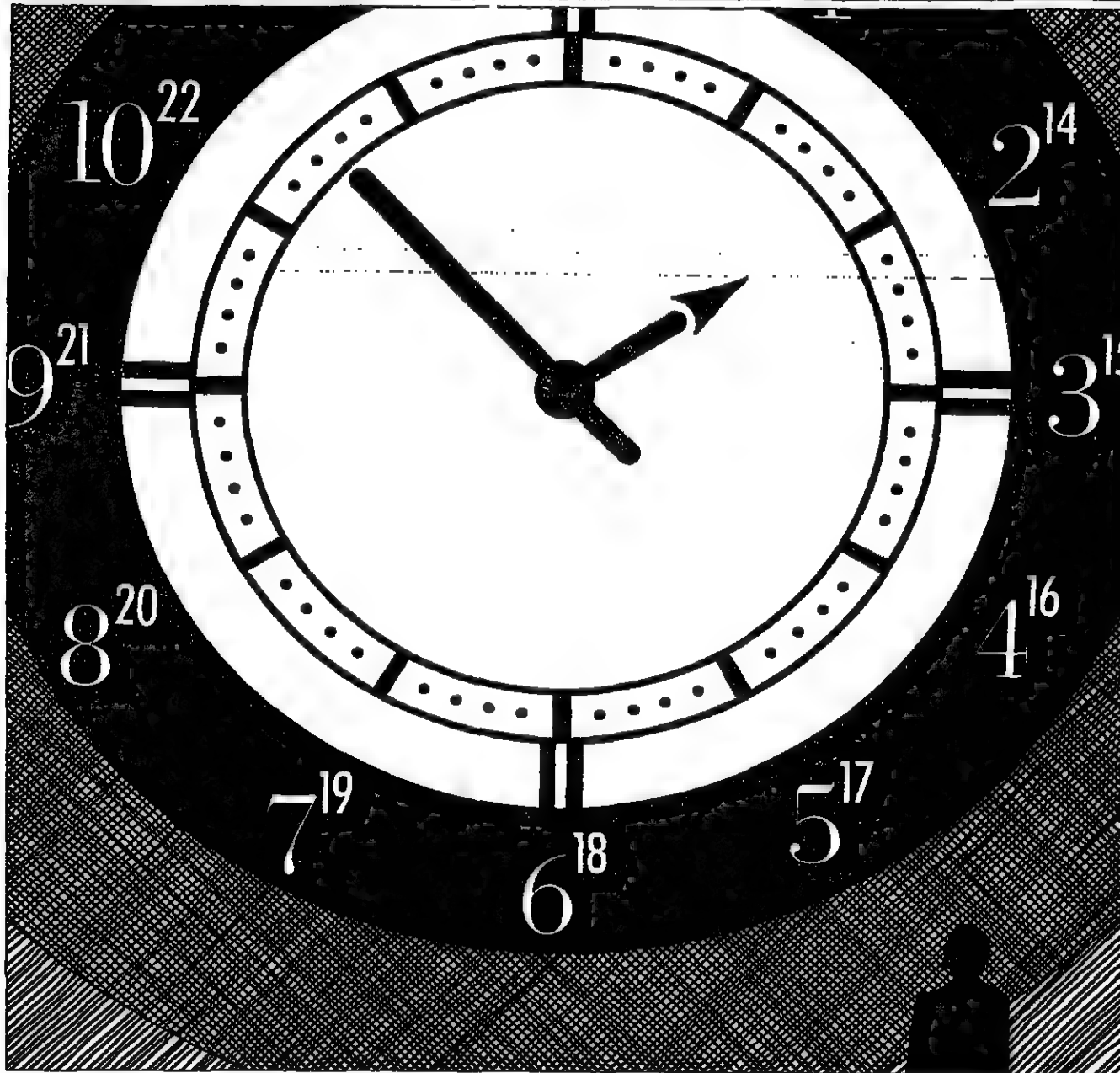
The benefit to passengers in faster journey times derived from the greater speed of the 146 over the Dash Sevens on the short-haul routes currently planned from the St. Pauli would be minimal, and would only start to become significant to travellers if longer-haul routes (say, upwards of 400 miles) were flown.

Both - the need for larger aircraft and for longer-range routes - may well become inevitable in the early to mid-1990s, by which time the St. Pauli will be well established, and a much clearer picture of the pattern of traffic there will be available.

In view of the tight planning controls already being imposed, it seems likely that any request to use the 146 at the St. Pauli would be the subject of a renewed public planning inquiry, possibly forced by local environmental objectors even if not required by the Government itself - involving a thorough exploration of all the factors involved.

Nevertheless, it remains an option for the future. Mr Ron Buskin, executive director, technical sales, in BAA's civil aircraft division, says that "without jet speeds, the London City Airport will represent a wasted opportunity in the longer term."

The airport will prove to be a good neighbour with the quiet turbo-prop Dash Seven, but to realise its full potential it will require the higher speed and longer range of turbo-fan (jet) aircraft to compete effectively with Heathrow and other jet services.



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Passengers board a Brymon Dash Seven

Roger Taylor

## Take-off for the City

Continued from page 1

networks as soon as possible, and expect to have all their licensed routes operational within the next year.

But other fixed-wing short take-off and landing aircraft types could be on the way to the St. Pauli, such as the West German Dornier 228 twin-engine turbo-prop for short-haul domestic and international services, and the British Aerospace 90-seat 146 jetliner.

One problem that could influence that possibility, and especially use of the 146, despite its low noise volume and undeniable short take-off and landing capability, is the current plan to build a new East London River Crossing by the early 1990s.

As presently envisaged this would be in the form of a suspension bridge with tall towers, crossing the Thames a little downstream from the St. Pauli.

Neither John Mowlem nor Brymon and Eurocity object to the development of a new river crossing - indeed, they believe that it will enhance the catchment area of the St. Pauli by making it easier for those living south of the Thames to reach it.

Their concern is over the design of the crossing, and they have suggested that it could be revised to eliminate the towers, without either hindering shipping in the river or increasing costs.

This alternative, which appears to satisfy the Port of London Authority, is now being studied by the inspector who conducted the public planning inquiry into the East London crossing, and whose report is expected some time early next year. The crossing itself will not be in service - to whatever design - until the early 1990s.

By that time the St. Pauli will have been functioning for some years - time enough for the planning authorities to think again about putting a suspension bridge so close to the threshold approach to an airport runway.

## REGIONAL AIRPORTS AND AIR SERVICES

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THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

	CLAS groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westminster £m	Royal Bk. of Scot. £m	Standard Chartered £m	TGS £m
<b>LIABILITIES OUTSTANDING</b>									
Sterling deposits	180,575	9,532	40,899	27,228	20,688	49,726	10,290	3,544	12,744
Change on month	+1,953	+177	78	+159	+553	+584	-298	+96	+423
Foreign currency deposits	75,469	1,063	19,587	9,824	12,446	22,536	4,524	8,548	501
Change on month	-1,559	+63	-739	-139	+123	-118	-353	-83	+36
Total deposits	253,345	7,994	54,706	36,776	42,635	72,262	14,715	12,389	12,945
Change on month	-274	+219	-651	+7	+686	+467	-638	+19	+454
<b>STERLING ASSETS OUTSTANDING</b>									
Cash and balances with the Bank of England	3,883	289	492	201	517	558	554	22	142
Change on month	-84	-36	+36	+34	-73	-39	-2	+7	-2
Market loans—UK monetary sector	36,187	990	6,571	4,385	5,190	12,567	1,281	1,140	2,961
Change on month	-131	+166	-563	+75	+121	-282	-316	+186	+462
Other	11,176	735	2,854	2,253	1,280	3,188	808	282	1,626
Change on month	-358	-1	-196	-168	+253	-3	-125	-2	-169
Bills	3,290	214	1,245	1,262	202	1,697	416	69	544
Change on month	-657	-16	+67	+125	+179	+547	+10	+5	+54
British Government stocks	5,255	198	1,198	548	899	269	253	289	1,632
Change on month	+448	-47	+137	+13	+236	+15	+6	-3	+96
Advances	125,356	5,859	26,134	19,590	21,784	22,145	8,490	3,385	6,541
Change on month	+2,447	+46	-796	+336	+640	+1,268	+229	-127	+128
<b>FOREIGN CURRENCY ASSETS OUTSTANDING</b>									
Market loans and bills	55,595	594	10,979	7,251	2,867	19,935	3,225	6,156	229
Change on month	-663	+129	-345	+68	+232	-820	+8	-193	+98
Advances	24,047	772	3,676	3,476	6,947	5,886	1,282	3,446	74
Change on month	-587	-65	-182	-51	-55	-99	-585	+108	-8
<b>ACCEPTANCES OUTSTANDING</b>									
Change on month	-188	-61	-79	-59	-73	+96	-48	-18	+12
<b>ELIGIBLE LIABILITIES OUTSTANDING</b>									
Change on month	136,346	5,597	35,410	21,094	20,196	28,776	5,549	2,897	9,115
	+2,328	-25	+1,044	+216	+822	+1,185	+284	-94	+194

New Issue      This advertisement appears as a matter of record only      October 23, 1987



# Bayernhypo Finance N.V.

**Amsterdam, The Netherlands**

**CAN. \$ 65,000,000**

**10<sup>3</sup>/<sub>8</sub>% Notes due 1992**

**secured by a deposit with the London Branch of**

**Bayerische Hypotheken- und Wechsel-Bank  
Aktiengesellschaft**

**Munich, Federal Republic of Germany**

Issue Price: 101 5/8%

Interest: 10<sup>3</sup>/<sub>8</sub>% p.a.

Redemption: November 23, 1992, at par

**Listing:** Luxembourg Stock Exchange

<b>Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft</b>	<b>Banque Paribas Capital Markets Limited</b>
<b>Genossenschaftliche Zentralbank AG, Vienna</b>	<b>Morgan Guaranty Ltd</b>
<b>Morgan Stanley International</b>	<b>Orion Royal Bank Limited</b>
<b>Bank Brussel Lambert N.V.</b>	<b>Bankers Trust International Limited</b>
<b>Banque Internationale à Luxembourg S.A.</b>	<b>Bayerische Landesbank Girozentrale</b>
<b>Bayerische Vereinsbank Aktiengesellschaft</b>	<b>Dominion Securities Inc.</b>
<b>Dresdner Bank Aktiengesellschaft</b>	<b>Goldman Sachs International Corp.</b>
<b>Hambros Bank Limited</b>	<b>IBJ International Limited</b>
<b>McLeod Young Weir International Limited</b>	<b>Merrill Lynch Capital Markets</b>
<b>Österreichische Länderbank AG</b>	<b>Rabobank Nederland</b>
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## NETWORKING



**FT-ACTUARIES WORLD INDICES**

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 23 1987					THURSDAY OCTOBER 22 1987					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year end (1986)		
Figures in parentheses show number of stocks per groupings													
Australia (90)	119.59	-4.5	105.72	111.00	3.56	127.90	114.93	118.72	120.61	99.92	91.12		
Austria (64)	96.29	+0.1	85.08	90.22	2.29	96.11	86.36	90.58	102.87	85.53	84.24		
Belgium (48)	111.99	-1.7	96.65	104.56	4.54	113.52	102.01	106.25	124.89	96.19	91.39		
Canada (129)	106.46	-0.5	94.12	101.30	2.25	106.17	95.94	101.79	114.78	100.00	97.69		
Denmark (58)	110.59	+0.9	103.69	101.39	3.11	111.99	99.37	104.58	124.83	96.68	97.97		
France (222)	115.99	-0.5	89.59	96.28	3.20	121.41	102.59	107.57	121.47	94.50	91.67		
West Germany (95)	87.14	-0.2	77.04	80.93	2.31	87.29	78.44	82.30	104.95	84.00	92.14		
Hong Kong (46)	133.19	+0.0	117.75	133.64	3.64	133.25	119.73	133.64	158.65	96.89	95.16		
Ireland (24)	123.12	+0.2	108.85	116.78	3.85	120.46	108.22	114.88	160.22	97.90	81.04		
Italy (95)	85.14	-0.6	75.32	82.75	2.83	85.25	78.23	82.75	112.13	88.00	88.00		
Japan (22)	131.71	-3.8	116.44	118.77	0.57	136.85	122.97	125.09	161.26	100.00	94.00		
Malaysia (56)	124.77	+9.6	110.31	127.33	3.00	138.08	124.07	134.38	133.64	98.24	92.96		
Mexico (64)	292.74	0.2	268.88	520.51	0.58	293.28	265.52	520.51	622.59	97.72	82.41		
Netherlands (57)	102.82	+0.3	94.89	94.79	3.91	102.82	93.41	93.41	102.82	92.50	92.50		
New Zealand (32)	106.67	-3.4	92.53	85.51	3.47	108.40	97.40	89.10	138.99	89.93	89.93		
Norway (24)	139.21	-0.5	123.07	124.95	2.17	139.97	125.76	126.29	185.01	100.00	102.05		
Singapore (27)	108.82	-12.9	96.21	104.57	2.36	124.98	112.30	120.20	174.28	99.29	101.42		
South Africa (61)	149.91	-0.7	113.61	130.65	3.71	152.47	146.11	138.09	198.09	100.00	85.75		
Spain (12)	145.80	-2.2	126.54	127.50	3.15	148.69	133.60	131.85	168.81	100.00	92.37		
Sweden (34)	116.06	+0.6	102.81	108.37	2.09	115.35	109.65	108.99	136.64	90.85	92.91		
Switzerland (53)	89.09	+0.4	78.76	81.60	2.00	88.70	79.75	82.79	111.11	88.70	90.19		
United Kingdom (335)	124.50	-0.7	110.07	112.69	3.42	122.68	112.62	112.62	162.67	99.65	90.15		
USA (583)	101.29	-0.3	89.55	101.29	3.66	101.57	91.26	101.57	137.42	92.85	92.85		
Europe (952)	106.12	-0.5	95.82	96.42	3.41	106.62	95.80	98.32	130.02	99.78	92.81		
Pacific Basin (680)	130.95	-3.8	115.77	119.51	0.78	136.13	122.31	124.76	158.77	100.00	94.97		
Europe-Pacific (1639)	121.07	-0.7	107.05	108.75	1.70	124.37	111.75	114.22	142.65	100.00	88.07		
Asia-Pacific (712)	101.73	-0.3	89.73	101.38	3.62	101.73	90.55	90.55	124.93	99.15	90.15		
Europe Ex. UK (517)	94.73	-0.2	83.75	88.07	2.87	94.96	85.35	89.50	111.97	93.70	95.21		
Pacific Ex. Japan (222)	121.95	-4.4	107.82	125.21	3.51	127.56	114.62	120.54	164.03	99.92	89.79		
World Ex. US (1836)	111.95	-2.6	89.75	96.25	1.77	115.65	85.45	114.14	143.3				

Series	Nov. 87		Feb. 88		May 88		Stock
	Vol.	Last	Vol.	Last	Vol.	Last	
GOLD C	3400	74.50	—	—	—	—	\$472.30
GOLD D	3250	73.90	—	—	—	—	
GOLD E	600	73.50	22	13	38	20.50	
GOLD F	3450	73.50	30	14	16	24	
GOLD P	3480	73.10	30	14	16	24	
				10.00			
		Dec. 87		March 88		June 88	
SILVER E	3800	—	—	—	3	98	\$735
SILVER P	3750	—	—	—	—	—	
SILVER F	3830	—	—	—	—	—	
		Nov. 87		Dec. 87		Jan. 87	
PLAT C	P1200	—	3	4.50	—	—	P1200.00
PLAT D	P1210	—	3	4.50	—	—	
PLAT E	P1215	1.10	—	0.60	—	—	
PLAT F	P1215	—	30	0.60	—	—	
PLAT P	P1215	—	30	0.60	—	—	
PLAT P	P1215	—	30	0.60	—	—	
PLAT P	P1215	—	30	0.60	—	—	
PLAT P	P1215	—	30	0.60	—	—	
PLAT P	P1215	—	30	0.60	—	—	
PLAT P	P1215	—	30	0.60	—	—	
		Mar. 88		June 88		Sept. 88	
PLAT C	P1200	49	4.50	—	3	7.50	P1200.00
PLAT D	P1205	39	3.90	4.80	—	—	
PLAT E	P1210	23	2.30	—	—	—	
PLAT F	P1215	60	6.00	4.50	—	—	
PLAT P	P1200	6	3.50	6.50	—	—	

AMN Bank	1%	● Charleston Bank	1%	Met. Bk. of Wash.	9%
Arthur & Company	10	Chatham Bk.	9%	MetWachBank	9
Atlas Ardy BA Ltd.	10	City Merchants Bank	10	Northern Bank Ltd.	9
Atlas Dunbar & Co.	10	Oldfield Bank	9%	Norwich's Gas Ltd.	30
Atlas Irish Bank	10	Quinn, Bk. of East	10	PR Presses, Inc. Trinidad	10
American Exp. Bk.	10	Quintennial Crd.	9%	Providence Trust Ltd.	11
Ames Bank	10	Co-operative Bank	10	R. Rydland & Sons Ltd.	10
Henry Amherst	10	Copps' Provder Bk.	10	Reynolds & Co. (Sons)	10
ANZ Banking Group	10	Danica London	10	Royal Bk. of Scotland	9
Assurances Corp Corp	10	Equat'ry Tr'st'y plc	10	Wapiti Trust Bank	10
Assurances Co Ltd.	10	Exeter Trust Ltd.	10	Swiss Williams Soc.	10
Banque de Seltman	10	Financial & Gen. Sec.	10	Standard Chartered	9
Bank Argente	10	First Nat. Fin. Corp.	11	TBS	10
Bank of America (UK)	10	First Nat. Bk. of Ind.	11	Union Bank of Can.	11
Bank. Credit & Comm.	10	● First Nat. Bk. of N.Y.	10	United States of Kwana	10
Bank of Canada	10	● Robert Fraser & Parn.	11	United Scottish Bank	10
Bank of Ireland	10	Gibson	10	Unity Trust PLC	9
Bank of India	10	Glenfarms Bank	10	Western Trust	10
Bank of Scotland	9%	● Galesma Hahn	10	Weymouth Bank	9
Banking Budge Ltd.	10	● HFC Bank & Savings	9%	Windsor Lathlow	10
Bankers Bank	10	Hartcliffe & Co.	10	Yorkshire Bank	9
Bankers' Pk Ltd.	10	Hawthorne & Co. Yk.	10		
Bankers' Trust Ltd.	11	● Hill Samuel	11		
Bankers Bank AG	10	C. Henry & Co.	10	● Members of the Acco-	
Bk. of the Mid East	10	Hongkong & Shangi	9%	Homeas Commission	
Born Shipley	10	Lloyds Bank	9%	7.6%	
Business Wage Ltd.	10	Lloyds Bank & Savs Ltd.	9%	Trust—£2,500,000 in 3 m	
Business Wage Ltd.	10	Midland & Essex Ltd.	9%	on average 9.53%.	At
Business Wage Ltd.	10	● Morgan Guaranty	10	discounted 4.99%.	Wor
Capital Finance	10	● Murphy Credit Co Ltd	10	31.225%	
Casper Ltd.	10				

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Prize	Field no	Recurring	1987		Event	Prize %
			High	Low		
1209	F.P.		13509	10826	AGE Reserve 6-21 Cn Rd	96%
1210	F.P.	208/1	10542	10151	Afford Level, 15% Cn Rd, Bldg	96%
1211	F.P.		10151	9062	St. & Corners, Cn Rd Incl Pk	96%
1212	F.P.		9062	832	CHFC Tract 4000	96%
1213	F.P.		832	304	Chesapeake Park 21% Cn Rd	96%
1214	F.P.	22/1	304	204	Croftcor Wtr Wtds 14% Cn Rd	96%
1215	F.P.		204	160	Chesapeake Park 21% Cn Rd	96%
1216	F.P.		160	120	Interbrook 17% Cn Rd Incl Pk	96%
1217	F.P.		120	100	Chesapeake Park 21% Cn Rd	96%
1218	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1219	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1220	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1221	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1222	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1223	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1224	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1225	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1226	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1227	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1228	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1229	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1230	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1231	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1232	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1233	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1234	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1235	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1236	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1237	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1238	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1239	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1240	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1241	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1242	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1243	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1244	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1245	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1246	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1247	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1248	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1249	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1250	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1251	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1252	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1253	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1254	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1255	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1256	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1257	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1258	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1259	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1260	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1261	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1262	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1263	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1264	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1265	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1266	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1267	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1268	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1269	F.P.		100	100	Chesapeake Park 21% Cn Rd	96%
1270	F.P.		100	100	Chesapeake Park 21% Cn Rd	

Issue Price	Issue Paid up	Class	Yield	Stock	Yield
		Rate	High		P
508	100	263/80	125/80	A. C. Widen Sp.	125/80
213	100	213/80	213/80	Wilmington Mfg	213/80
197	100	217 1/2	217 1/2	Wilmington Mfg	217 1/2
530	100	217 1/2	217 1/2	3m	217 1/2
265	100	217 1/2	217 1/2	3m	217 1/2
422	100	422	422	Hywood Sight	422
370	100	370 1/2	370 1/2	Hywood Sight	370 1/2
70	100	171 1/2	171 1/2	Hywood Sight	171 1/2
382	100	382	382	Hywood Sight	382
736	100	736	736	Hywood Sight	736
197	100	197 1/2	197 1/2	Hywood Sight	197 1/2
45	100	45	45	Hywood Sight	45
200	100	200 1/2	200 1/2	Hywood Sight	200 1/2
88	100	88	88	Hywood Sight	88
35	100	35 1/2	35 1/2	Hywood Sight	35 1/2
408	100	408	408	Hywood Sight	408
30	100	30	30	Hywood Sight	30
120	100	120	120	Hywood Sight	120
276	100	276	276	Hywood Sight	276
115	100	115	115	Hywood Sight	115
40	100	40 1/2	40 1/2	Hywood Sight	40 1/2

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## AUTHORISED UNIT TRUSTS

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## LONDON SHARE SERVICE

[illegible][illegible]



### AMERICANS—Continued

## CANADIANS

730p	11.12	31.12
140p	11.77	8.1

**BEERS, WINES & SPIRITS**

## BUILDING, TIMBER, ROADS

Runde	Zeit	Lage	Dts	Fehler	Bemerkungen	Takt	
						1	2
1	1:00	1	1	1	1	1	1
2	1:00	1	1	1	1	1	1
3	1:00	1	1	1	1	1	1
4	1:00	1	1	1	1	1	1
5	1:00	1	1	1	1	1	1
6	1:00	1	1	1	1	1	1
7	1:00	1	1	1	1	1	1
8	1:00	1	1	1	1	1	1
9	1:00	1	1	1	1	1	1
10	1:00	1	1	1	1	1	1
11	1:00	1	1	1	1	1	1
12	1:00	1	1	1	1	1	1
13	1:00	1	1	1	1	1	1
14	1:00	1	1	1	1	1	1
15	1:00	1	1	1	1	1	1
16	1:00	1	1	1	1	1	1
17	1:00	1	1	1	1	1	1
18	1:00	1	1	1	1	1	1
19	1:00	1	1	1	1	1	1
20	1:00	1	1	1	1	1	1
21	1:00	1	1	1	1	1	1
22	1:00	1	1	1	1	1	1
23	1:00	1	1	1	1	1	1
24	1:00	1	1	1	1	1	1
25	1:00	1	1	1	1	1	1
26	1:00	1	1	1	1	1	1
27	1:00	1	1	1	1	1	1
28	1:00	1	1	1	1	1	1
29	1:00	1	1	1	1	1	1
30	1:00	1	1	1	1	1	1
31	1:00	1	1	1	1	1	1
32	1:00	1	1	1	1	1	1
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39	1:00	1	1	1	1	1	1
40	1:00	1	1	1	1	1	1
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42	1:00	1	1	1	1	1	1
43	1:00	1	1	1	1	1	1
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50	1:00	1	1	1	1	1	1
51	1:00	1	1	1	1	1	1
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56	1:00	1	1	1	1	1	1
57	1:00	1	1	1	1	1	1
58	1:00	1	1	1	1	1	1
59	1:00	1	1	1	1	1	1
60	1:00	1					

CHEMICALS PLASTICS

## CHAPTER 10

May	Nov-Gableri Sp	175	6.4	13	2.0
June	Nov-Gableri Sp	90	11.5	62.0	—

Amount Paid	Stock	Price	Last Bid	Div Ret	C'w	Gr's	P
-------------	-------	-------	----------	---------	-----	------	---

19.9  
♦ **ELECTRICALS**

Apr	Nov 1 Cont'l. Microwave	245	14.9	28	4.5	1.6	19.
Feb	Any Control Tech 10p	245	10.8	13.0	2.8	1.7	28.

July	Jan-Lorin Elected	234	29.6	13.0	4.6	1.8	16.9
May	Nov-MRS Sp	120	11.5	0.5	2.4	0.6	—

Feb.	Aug.	Racial Electronics	223	29.6	3.3	3.1	2.0	19.8
Aug.	Oct.	De 7ccv1a 2009-14	CL10P	23.3	7%	21.1	16.1	-

Stock	Price	2d	Net	C'w	S
1000	100	100	100	100	100

July	Dec Chamberlin & Hill	343	15.6	4.0	2.8	3
Feb.	July Chewing Group Sp.	785	15.6	†16.5	2.3	3

**FOOD, GROCERIES, ETC**

## HOTELS AND CATERERS

Symbol	Stock	Price	%	Net	G'rr
IBM	-8- -30	296	100.4	25.9	3.1

Day	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100														
Day	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

Jan.	Jan. Orlino Hest Sp	45	27.4	0.40	0.5	1
July	Jan. Diploma Sp	170	2.6	15.25	2.5	3

July	Harbor 10p	11.5	7.3	0.3
Dec	Harbor 10p	1.4	4.8	1.0

Page	Block	Price	Est.	Net	Gr.	Wt.	Vol.	Sp.
May 14	Lawson Thompson	100.00	2.10	19.62	25	35	180	

Medical Research	30	1	1	1	1
Journal Box	192	256	575	10	41,110

July	Silence	100	1.6	19.0	2.3	2.8	21.6
Aug	St. Clair (Wm.)	405	9.3	6.8	3.04	2.2	21.1

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10

### MINES—Continued

Stock	Price	%
Anglo-Am	28	
Amalgam	108	
Calumet Min	18	
De Gra Gold St	41	
Eastman Min	48	
Empire Pacific	ASD.20	
Merckbach	50	
Metals Ex	80	9.81
Platina Mines	395	
Platina Mines	44	
Platina Mines	88	12.2
Platina Mines	25	
Platina Mines	21	
Platina Mines	36	
Platina Mines	215	
Platina Mines	77	19.11
Platina Mines	95	25.2
Platina Mines	27	30.4
Platina Mines	29	
Platina Mines	29	
Platina Mines	29	

Paragon Resources NL	40	
Pringna Mining Exp 50	220	28.9

Deo-Waitness 50c	273	15.3
Elkartz Res. NL	51	
Forpus Mining	19	
Green Margaret Gold	50	
Regens Mining 20c	212	
Reisen 50c	428	23.9
Seaton Exp't. NL	20	
Sanbury Mining	36	
Sims Gwalia NL	460	
Sohn, Goldfields	11	
Southern Pacific	30	
Southern R.R.	83	
Southern Ventures 25c	12	
Spargus Exp't.	304	
Stearns Res 20c	15	
Thames Mining 25c	38	
West Goldfields NL	120	
West Coast 25c	180	
Weston Mining 50c	223	6.4
Whim Creek 20c	165	

**Tips**

ayer Hnam SAM	600	7.3
revier	180	9.8
Young Bryant MSO.50	68	10.3
Young 121/2	90	2.6
Yonkers Wng. 10c	54	11.5
Young Sam J	145	15.6
Young Best SAM	130	12.8
Young 15p	150	5.81
Young SAM	180	0.15

Miscellaneous		
Anglo-Dominion	57	
Colley Res Corp	376	
Cont. Murch. 10c	262	13.7
Ernest, Inc. 1p10p	35	
Freemrich Res	845	
Genio Gold Mines	681	
Highwood Res	174	
Imperial Lake Mining S1	622	20.5
Imperial Res Ltd	875	

New Sabina Res CSI	210	17
Northgate CSI	209	977

Stock	Price	Last nd	Div Mnt
Steelcase Group 10p	31.50	28.9	3.2
Wardens Am Pet 10p	30		
Wardens Int. Brokers	140	11.5	NA
Wardens Energy 10p	30		
Wardens Res. 10p	7		
Wardens Pet. 'A'	18		
Wardens Comm.	218		
Wardens 10p	117	27.4	NA
Wardens Comm. 5p	85		
Wardens Autos 5p	178		
Wardens Int.	67		
Wardens Group 5p	125		

Carton Beach 10p	208	2.6	0.4
Brown Eyeglass Sp	146	—	—
Antenna 6-in. 1 B	30	—	—

...tion Corp. Inc.	13	
...n. Warrick	105	
...ar East Res. 10p	86	EL 2
...andier (L) 5p	41	
...nstein Group 5p	93	Q 1
...ading Lease 5p	89	b-
...nity Tech. 5p	149	
...edra 15p	65	
...rova Gold IRO 02	58	
...stholding Hldg. 5p	126	
...pacum Hldg.	17	27.4
...rene Holdings	67	1.1
...PL Group 10p	155	13.6
...net Group	187	84.1

annual reports and accounts and, where appropriate, half-yearly figures. P/E ratios are calculated on

[illegible]

previous dividend or forecast.  
 and or reorganization in progress.

dividend; reduced final analysis reduced on dividend; cover on earnings updated.

... z Dividend and yield include a special dividend in 1992 of \$0.10 per share.

**REGIONS AND IRISH STOCK**  
as a selection of Regional and Irish Stock

08	-1	Fin. 13% 97/02
788	48	Arbeits

183	-2	CPI Wiggs	
611	-	Carroll Ind.	
313	-30	Dublin Gas	
		Hall (R. & H.)	
		Heaton Wiggs	
IRISH		Irish Ropes	
68	5,001	North	
79	578	Quidore	

**TRADITIONAL OPT**  
3-month call rates

46	NEI
19	Nat West Bk
62	P & O Dist
50	Plessey
37	Polly Peck

31	Racial Elect
36	RHM
32	

52	Rant Org Ord
52	Reed Intl
50	STC
50	Sears
50	Ti
50	TSB
50	Tesco
32	Thorn EMI
25	Trust Houses
35	T&N
45	Unilever
45	Vickers
45	Wellcome
95	Property
22	Brit Land
209	Land Securities
58	MEPC
125	Peachey
95	PLC

38	Unis
17	Brit Petroleum
52	Britoil

38	Burmah Oil
125	Charterhall
52	Premier
45	Shell
32	Tricentral
45	Ultramar
35	
75	Mines
22	Cons Gold
46	Loehle
53	Rio T Zinc







**TORONTO**Continued from Page 43

## Indices

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## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

**Continued on Page 49**



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**OVER-THE-COUNTER**

Nasdaq national market, closing prices, October 23

[illegible]

Children	1719	140%	111%	12	-2%	1	7	27	25	22%	22%	-2%	Kincald	15	1444	14	12%	12%	-1%
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Continued on Page 41



## CURRENCIES, MONEY &amp; CAPITAL MARKETS

## FOREIGN EXCHANGES

## Economic news overwhelmed by market volatility

TRADERS in financial markets return to work this morning after a weekend of taking stock.

The worst scenario in London was probably to have cancelled insurance policies in the week before the storm that hit south east England in the early morning of Friday October 16, in order to invest in insurance company shares, only to find one's house devastated by a falling tree.

As dealers saw vast amounts of money wiped off share prices, it became necessary to consider the implications of a US led recession, but in the general mayhem money markets and the foreign exchanges were relatively calm.

UK economic news had much less impact than might have been expected. Money supply growth

was very strong, but failed to prevent a cut in bank base rates. The trade figures were surprisingly good, but were swallowed up in the general volatility of world equity markets.

Among US economic data, the rise of 2.8 per cent in third quarter Gross National Product growth was also surprising. It compared with 2.5 per cent in the second quarter, and was stronger than market forecasts of around 2.7 per cent.

The least impressive part of the data was the fall of \$5.2bn in net exports, as imports rose sharply, underlining fears among economists that the US is heading for

recession.

Kleinwort Grievson Securities said "one firm conclusion is that EMS EUROPEAN CURRENCY UNIT RATES

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 23 Day's spread Close One month % p.a. Three months % p.a.

US 1.6510-1.6780 1.6765-1.6775 0.38-0.35c 2.61 0.81-0.74c 1.83

Canada 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Switzerland 1.4858-1.5010 1.5000-1.5010 0.40-0.35c 1.89 0.14-0.08c 1.20

Belgium 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

France 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Germany 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Italy 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Spain 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Portugal 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Greece 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Turkey 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Japan 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

South Korea 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

India 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Singapore 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Malaysia 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Thailand 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Philippines 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Indonesia 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Sri Lanka 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Burma 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Myanmar 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Laos 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Cambodia 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Vietnam 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

Laos 1.2737-1.2965 1.2955-1.2965 0.40-0.35c 1.89 0.14-0.08c 1.20

growth in the US will suffer. Individual's wealth has been reduced and this will result in a reduction in spending.

Morgan Grenfell predicts consumption will fall sharply in the next couple of months and that zero growth is expected in the fourth quarter of this year and the first quarter of next year.

In late European trading on Friday the dollar fell sharply, and in Tokyo it was forecast the US currency would soon fall below

¥140 and test its record low some time next month.

It is feared that foreign investors will be reluctant to invest in the US because of President Reagan's failure to deal effectively with the budget deficit.

Financial markets were generally disappointed on Thursday and his lack of enthusiasm about higher taxation to cut the budget deficit.

Against this background there is unlikely to be much reaction to this week's US economic figures.

Personal income and consumption figures will be released today. Income is expected to rise 0.4 per cent according to a survey by Money Market Services.

Morgan Grenfell and Nomura Grievson expects a rise of 0.1 per cent.

The MMS survey suggests a fall of 0.1 per cent in consumption. Morgan Grenfell and James Capel are in line with the median. Kleinwort Grievson looks for a fall of 0.2 per cent, but Phillips and Nomura expects a flat figure and Nomura forecasts a rise of 0.1 per cent.

Tomorrow's durable goods orders for September will rise 1.0 per cent on the MMS survey.

Kleinwort Grievson agrees, but Nomura forecasts the figure will be flat, while Morgan Grenfell, and James Capel expect a rise of 1.5 per cent and Phillips and Drew looks for 1.8 per cent. Friday's leading indicators for September are likely to be unchanged on the estimates of Nomura, rise 0.3 per cent on the forecast of Phillips and Drew, and 0.4 per cent according to James Capel. Kleinwort Grievson, and Morgan Grenfell.

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son expects 0.5 per cent, but James Capel, and Phillips and Drew forecast 0.3 per cent.

The MMS survey suggests a fall of 0.1 per cent in consumption. Morgan Grenfell, and James Capel are in line with the median. Kleinwort Grievson looks for a fall of 0.2 per cent, but Phillips and Nomura expects a flat figure and Nomura forecasts a rise of 0.1 per cent.

Tomorrow's durable goods orders for September will rise 1.0 per cent on the MMS survey.

Kleinwort Grievson agrees, but Nomura forecasts the figure will be flat, while Morgan Grenfell, and James Capel expect a rise of 1.5 per cent and Phillips and Drew looks for 1.8 per cent. Friday's leading indicators for September are likely to be unchanged on the estimates of Nomura, rise 0.3 per cent on the forecast of Phillips and Drew, and 0.4 per cent according to James Capel. Kleinwort Grievson, and Morgan Grenfell.

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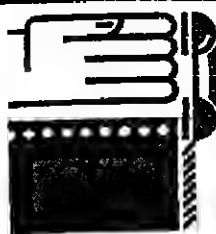
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## SECTION III

FINANCIAL TIMES  
SURVEY

Rapid growth in new technology, the drive for public service efficiency, staff cut-backs and Big

Bang, have all benefited consultants. While most confidently expect demand to grow, the shake-out in consultancy itself could be starting. Michael Skapinker reports

## The shake-out beneficiaries

AN INDICATION of the secure status of management consultants in Britain today is the fact that you never hear any new jokes about them. You do still hear plenty of variations on the old joke, not all of them printable, which is that a consultant is someone who borrows your watch to tell you the time.

The consultants, however, can afford to grin and bear it. The Management Consultancies Association says its members' fee income increased by 36 per cent to £228m in 1986. The Association's executive director, Brian O'Rourke, says this year's figure is likely to be close to £300m. The MCA estimates that its members account for 65 per cent of the income of the total consulting market in Britain.

One of the most significant factors in the boom is the rapid growth of new technology. Many managers are convinced that they need it, but not all of them are sure what to do with it. Paul Batchelor, a consultant with Coopers and Lybrand, says that computer manufacturers have managed to maintain the gap between what they are producing and what company executives feel they can understand.

Consultants, he says, can therefore step in as intermediaries between the suppliers and the users. The MCA says its

members' fee income from information technology consulting doubled last year to \$69m. The Government's drive for increased efficiency in the public services has opened a door to many consultants, too. The public sector is a profitable area. Civil servants rely on consultants to help them reorganise, to institute performance-related pay and to bring in private sector contractors to perform some of their functions.

All aspects of consulting have benefited from the shake-out in British industry. Many companies have cut back on the number of staff they employ directly, preferring to rely on consultants to help them plan strategy, devise internal training programmes and set pay and benefit levels for their employees.

Big Bang, the deregulation of the City of London, has been an additional fillip. Consultants have been involved in installing the financial services sector's new technology and have helped the industry plot its future.

While the work that consultants do has increased in complexity, clients have also become far more sophisticated. "They're much better at spelling out what they see as their problem and saying what sort of performance measure they will be using to assess the consultant's work. They're much less impressed by consultant-speak," says Christopher Tracy, formerly of McKinsey and now the head of the London office of Mars and Co.

"On the whole the clients tend to be more efficient organisations," adds James Morgan of Arthur Young. "The great joy of working for efficient clients is that they can answer any queries you have and they can go ahead and implement what you



## Management Consultancy

recommend."

Most consultants seem confident that the demand for their services will continue to grow. But the past year has not been without its hiccups. Some consultants were more rattled than they cared to admit when Bain and Co, the American firm, found itself caught up in the Guinness scandal. One of Bain's staff, Olivier Roux, had worked for Guinness directly, as its director of financial strategy and development.

British consultants are quick to point out that although they help their clients implement

the proposals they make to them, they do not, unlike Bain, become involved in managing the company. "The point is raised by clients, but it's easily answered," says John Foden, chief executive of the PA group. "There's a clear distinction between helping to implement and signing pieces of paper to implement."

Another development has been the start of what many believe will be a shake-out in the British consulting industry. Over the past few years, a large number of small consulting firms have sprung up. "It's not a

difficult business to enter," says John Harris, European President of the American consultants Booz, Allen and Hamilton. "All you really need is two telephones. You take a talented guy and he can always find a couple of clients. The problem is that, over time, how can he maintain his value to those clients?" It is very difficult to service your customers while at the same time trying to drum up new business, Mr Harris says.

Many consultants believe that there is a future for small firms only if they concentrate on very

specialised areas. They do not see much of a role for the medium-sized firms. The middle-ranking practices are being hemmed in from either side by two groups: the well-established practices such as McKinsey and the Boston Consulting Group on the one hand, and the large practices, particularly those that have grown around accountancy firms, on the other.

This realisation was behind the merger of two of the most venerable names in British consulting, P-B International and Inbucon. The merger, announced earlier this year, is due to take effect in January 1988. The two firms are that by combining, they will have the clout to compete against the accountancy-based practices.

The accountancy-based consultants have not, however, been free of problems either, the result of putting the rush for growth before profitability. A senior member of one of the accountancy-based practices says that his firm has spent the past year consolidating and deepening its relationship with its existing clients rather than going out and looking for new ones.

A few of the consultants in accountancy-based practices are prepared to admit that there is something of a culture clash between themselves and the audit partners. The consulting practice requires more investment in training and technology than some of the audit partners are used to, they say. Nevertheless, they, along with non-accountancy firms like PA, are likely to continue to dominate UK consulting.

PA's John Foden says that the challenge for the larger British-based firms now is to become more international. The United States, which represents 30 per cent of the international consulting market, is a particular target for his own company.

Gareth Jones of Ernst and Whinney predicts that apart from the large international firms, the accountancy-based practices and the niche specialists, a new group of consultants will increasingly make their presence felt: the universities. As they come under increased

pressure from the government to find alternative sources of finance, consultancy will be an attractive option, as some universities have already discovered, he says.

When asked what the biggest constraint on their future growth is, consultants both inside and outside the accountancy-based firms give the same answer: finding enough good people to work for them.

The best of those applying for jobs with British-based firms are very good, says Booz Allen's Mr Harris. "The British graduate is generally highly numerate and highly literate. They are such much better on their feet than young Americans."

"We just hired 12 people from Oxford and Cambridge and every one of them could be assigned to a case and take a paper home and then come in the next morning and talk intelligently about it. You couldn't find people from equivalent schools in the States, like Harvard, who could do it." Mr Harris says that his recruiting difficulty is not the quality of people available, but the fact that Booz Allen is not as well known in Britain as it is in the US.

For many other firms the problems are more acute. Although some of the larger firms do take in some graduates, they prefer people with management experience in industry or finance.

"It's a monumental difficulty," says Arthur Young's Mr Morgan. "Every moment we're not in with a client, we're worrying about the people we have to get coming in. I think consultancy has always been an attractive career opportunity," he says.

The problem is that the City now offers earnings which are so much higher. "In the past, consultancy has always been pretty well paid. But it isn't when you compare it with some of our financial services clients."

The staffing problem is not one which lends itself to easy solutions, consultants say. "It's not as though any new source of recruits has been uncovered," says Mars' Mr Tracy.

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## MANAGEMENT CONSULTANCY 2

## Remuneration

## Firms become more sophisticated

THIS YEAR may be remembered "as the year that finally killed off the myth that the UK is one labour market," Mr Philip Burnford of Hay Management Consultants told a recent conference in London.

One bank, he said, has recognised the staggering cost of living in London by almost doubling its allowance for living in the capital to £3,000. Some London local authorities are reported to be paying premiums of up to £4,500 in an attempt to entice specialised staff.

The regional pay differential is just one manifestation of the huge transformation which has occurred in the pattern of UK remuneration over the past few years. Employers have had to find their way around such concepts as performance- and profit-related pay, cash bonuses and a range of share option schemes. There has been no shortage of consultants willing to help them.

Mr John Carney of Towers, Perrin, Forster and Crosby, says that his firm's pay and remuneration consulting practice has grown by 40 per cent in each of the last three years, and will grow by a similar amount this year. Other consultants are more reluctant to reveal specific percentages, but Mr Ken Schwarz, director of remuneration services at Inbucan Management Consultants, says that his firm has seen similar levels of growth.

Hay, Inbucan and TPF&C are among the older practitioners of pay and remuneration consulting. But there are now many new players in the field, some of them one-person operations catering to a specific industry.

The consultants identify several factors which, they say, have contributed to employers' increased interest in pay and remuneration. The ending of the pay restraint and incomes policies of the 1970s meant that companies could turn their minds to how best to attract and

reward skilled staff.

The shedding of large numbers of employees during the painful recession of the early Thatcher years was another reason why companies began to look towards remuneration consultants. Managers needed to devise new pay structures for their leaner and slimmer organisations.

They also began to compete for skilled staff, a process made all the more urgent by the rapid technological change which confronted them. Attracting and keeping the right people meant offering a remuneration package which compared favourably with that offered by competitors in the same industry, rather than that available in the economy as a whole. With companies now determined to make their way in the world, many began to offer their employees bonuses in return for performance.

New legislation to encourage companies to offer employees a stake in their companies has been another major reason for the growth of remuneration consulting. The first of three types of share option schemes was introduced in 1978, at the time of the Lib-Lab pact. The Conservative government has introduced two more. The most recent of these, introduced under the 1984 Finance Act, allows companies to introduce share option schemes which are available only to a specific class of employees, such as directors or senior managers.

With the Thatcher administration demanding value for money in the public sector, some central and local government organisations have turned to consultants, too, to help them establish performance-related pay structures.

Over the past few years, some remuneration consultants say they have found their work changing. Several companies that rushed to introduce new pay, benefit and share structures have found that they now



Ken Schwarz, Inbucan's remuneration services director

need something slightly different. A few consultants report that they have been called in to do repair work on pay and share schemes - schemes devised by other consultants, they hasten to add.

At the same time, companies are becoming more sophisticated in their approach to remuneration and have a clearer idea of what they want. "People are becoming more demanding," says Helen Murlis, a remuneration specialist with Peat Marwick McLintock. "At long last,

they are beginning to ask questions." Mergers and acquisitions have been another source of business, as purchasing companies examine the pay and benefits being used by the companies they have bought and begin to ask how they can be integrated into their own.

The booming stock market of recent years and healthy company profits have made share options and performance-related bonuses an attractive proposition for many managers and employees. The question that

many remuneration consultants ask is what will happen when the downturn comes?

To many consultants, that will be the real test of company and employee commitment to performance-related pay and share options schemes. Some worry that bonuses will have become such an intrinsic part of the pay package, that many companies will simply allow employees to continue receiving them even when they and their organisation are no longer meeting their targets.

At the moment, says John Carney, many British companies are still quite thoughtful about their remuneration packages. But there is a danger, he says, that bonuses will become institutionalised and regarded as something to which people have an inherent right, as has happened in some companies in the United States. "In the US, the worst abuses occur where companies just go about finding ways to satisfy executive greed," he says.

So much for the effect of a stock market downturn on companies. Most consultants seem less ready to consider what the effect would be on themselves. Would there still be the same demand for their services? Denis Crowe, editor of *Incomes Data Services's* Top Pay Unit review, argues that the public sector demand for remuneration advice will continue, at least for the four or five years of the Conservative Government's term.

As to the private sector, some consultants console themselves with the thought that theirs is an industry which thrives on change and that companies would need them to adapt their remuneration systems to hard times. "I suspect there might still be a call for their services to help sort things out," Mr Crowe says.

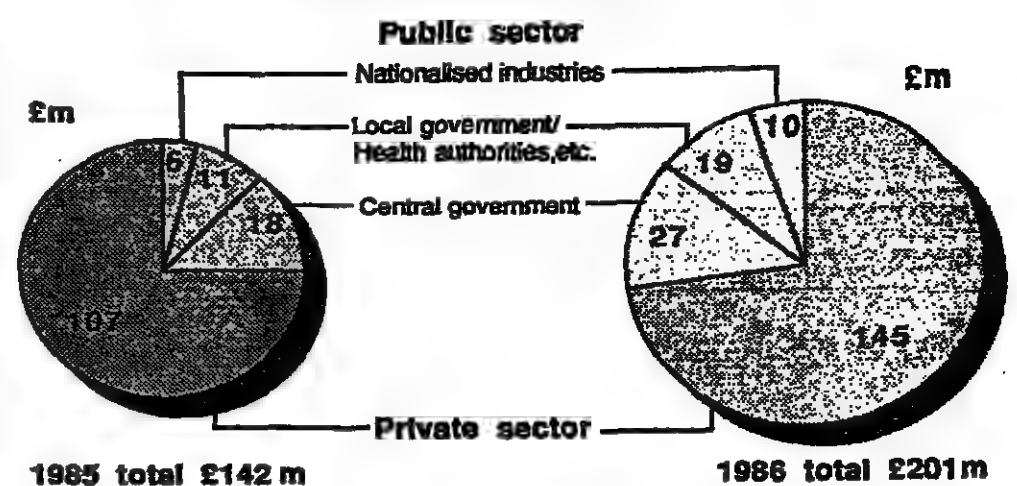
Michael Skapinker

## Public sector

## Happier spreading the work around

## Where the work comes from

Analysis of fees earned in UK between public and private sectors by members of Management Consultancies Association



THE LAST few years have seen a greater management revolution inside the civil service than at any time since the war. It is incomplete, but will be carried through, and, like comparable changes in industry, will bring large and durable benefits to our national life.

Those words of Sir Kenneth Stowe, then Permanent Secretary at the Department of Health and Social Security, in April 1986, gave a flavour of the changes that have taken place in central government management. And, as is common in much of the public sector, the drive for greater efficiency, which frequently involves the introduction of computer systems, creates a demand for consultants.

The other factor which has led to a big increase in the demand for outside expertise has been cuts in civil service manpower. Increasingly, government is dependent on commissioning skills that it just does not have within its own ranks.

Last year, members of the Management Consultancies Association (around 80 per cent of the industry) took consultancy commissions from the public sector totalling £56m. That was an increase of 60 per cent over 1985. This year, the jump is expected to be of the same order. Of the consultants not included in those figures, PA alone expects to undertake around £15m of consulting work in the public sector this year.

The work is not confined to the well-known names in the consultancy world. The public sector is increasingly conscious of the costs of bringing in consultants. Most contracts are awarded after going out to tender. Smaller, specialist consultants are increasingly successful in the bidding, while clients sometimes like those firms which can offer the personal service that goes with being small.

The public sector tends also to be happier if it is spreading its work around. It was interesting that the Department of the Environment stipulated that the five new development corporations must each award the contract for the detailed plan of their areas to a different firm of consultants. Price Waterhouse, Coopers & Lybrand, and Ecotec were three of the successful. The Trafford Park Corporation, meanwhile, deliberately adopted the course of choosing a team from a group of specialist consultancies.

Urban development corporations are a good example of the way in which the public sector workload for consultants is growing by leaps and bounds. Despite the Government's constant efforts to contain public spending, the whole regeneration effort in the urban areas is increasingly calling for external economic assessments of the impact of programmes funded with public money, as well as specialist advice on land use planning.

In public spending terms, however, this is a tiny area. Between 1984 and 1986, public expenditure roughly doubled in real terms. It now stands at around £24bn. The four largest programmes are social security

(£41bn), defence (£18bn), health and personal social services (£17bn) and education (£14bn).

Those figures in themselves are an indication of the fertile fields where consultants are needed, particularly defence and health. Most consultancies have been focusing on the National Health Service, where all the political signs are that there must be renewed pressure for efficiency savings to counter the growing demands being put upon the sector. Likewise, there is still enormous potential in the other big spending areas.

Sir Gordon Downey, Comptroller and Auditor General, in his report on the Financial Management Initiative published last autumn, and later used as the basis for the investigation by the Public Accounts Committee, highlighted the enormous challenges that the civil service still faces in attempting to introduce a management structure. He noted that most progress had been made in administration, but that in programme expenditure there was still a very long way to go.

The introduction and pursuit of a management culture requires the implementation of management accounting and budgetary control. Consultants have been brought in to help. If the exercise is to continue, much more help will be needed. Management information is quite inadequate, or non-existent, in large areas of the public sector. Without such systems, the exercise can only falter.

Mr P Thomas, director of PA's public sector division, explains the need for consultants in the public sector in the context of consultancy in the public sector as a business with two broad focuses:

1. The application and support of Information Technology in all its guises in terms of strategy, planning, implementation, user exploitation and information management as a whole.

2. Management effectiveness from policy making to operational management with strong emphasis on practical performance improvement, value for money, effective application of resources, and all the issues raised by commercialisation. On IT planning and implementation, for example, PA is working for the Inland Revenue, DHSS, Property Services Agency, and the Ministry of Agriculture. Management effectiveness programmes are being carried out for social security offices, rostering of prison officers, and a considerable amount of work for local government, particularly as it concerns direct labour organisations, which has led to PA being retained by the Audit Commission.

Local government, spurred by the Audit Commission's activities, the constant pressure on their spending power from central government, and comparisons with services contracted out to the private sector, is concerned increasingly to deliver more efficiently.

It should be realised, however, that there is growing disquiet on the part of those who work in the public sector - particularly those who have direct contact with the public - that too much emphasis is being laid on efficiency and not enough on providing a better service.

These rumblings should not be dismissed as politically motivated to frustrate the efficiency programme. The National Audit Office and the Public Accounts Committee made reference to it, and consultants should be aware of the potential implications for their work.

"The whole concept of efficiency needs to be widened to take greater account of performance evaluation, decentralised management, inter-organisational perspective, the role of specialists and that of the Treasury, as well as the need for public accountability," wrote Mr Les Metcalfe and Ms Sue Richards in the June issue of *Public Money*, published by the Chartered Institute of Public Finance & Accountancy.

Hazel Duffy

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## Information technology

**Profile: PA**

## Reshaping to meet new demands

**Hazel Duffy**

**John Foden: public listing is primary goal**

previously," he says. Mobility in the services industry is now a fact of life.

His primary goal for PA, he says, is to obtain a public list-

ing. PA would like to expand, particularly in the US, and to make some acquisitions.

**Hazel Duffy**

## Myths to be put aside

Mr. Miller and Mr. Batchelor see a two-fold challenge for the future. On the one hand, they see development of the information technology side of the practice, developing systems that are tailored to management needs. With the president's "TV division" slogan, they are already in the process of doing this. On the other hand, they see the need to be ready to take the largest in the practice. "I want to be all pervasive," Mr. Miller says. "The next big challenge for us is to make our consulting business really international," Mr. Batchelor says. With business executives developing international markets, global currencies crumbling, accountability-based consultancy will inevitably become more international, too, he says.

**Michael Skapinker**

**Michael Skapinker**

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## MANAGEMENT CONSULTANCY 4

## Small businesses

## Accountants hog most of the action

MANAGEMENT consultants have traditionally viewed the large corporation or government department as the natural market for their skills. Only large organisations needed the sort of in-depth advice the consultant was geared to provide and, equally importantly, only the big outfits could afford to pay for it.

This picture is now starting to change. Members of the Management Consultancies Association - 29 of the largest firms in the country - reported that 60 per cent of consultants' fee income - reported that 17 per cent of their clients in 1986 were small businesses - firms employing fewer than 25 people. This was a sharp increase on the 4 per cent figure of the year before.

The small firm's share of fee income will be considerably lower than this, of course, but these figures probably understate the growth of the importance of the small firm to the consultancy industry. The smaller consultants, with fewer than 15 professional staff each, who are not members of the MCA, probably do more business with small customers than the larger organisations.

There is certainly anecdotal evidence to support the view that demand for consultants' services has grown among small firms. When the Government launched a programme to provide subsidised marketing advice to small firms late last year, more than 1,200 applications came in within the first few months and a long waiting list built up.

And yet, while the MCA figures record an overall growth in small firms' business, it is the consultancy firms which appear to be hogging most of the action. They have been broadening the range of services they provide to business in recent years and have lightened upon consultancy as a useful area for expansion.

The established management consultancy firms are still geared up in terms of initial organisation and fee structure to serve the larger client.

Mr Paul Thornton, marketing director for Europe at PA, Britain's leading management consultancy, estimates 75 per

cent of his firm's business is with larger organisations, those with turnover of £100m or more. The amount of work carried out for smaller clients (and £100m is very large in "small company" terms) will grow in absolute terms but will decline as a percentage of PA's workload in future, he says.

"The main reason is that large firms are increasing their demands and we are restricted in the availability of good staff," he notes.

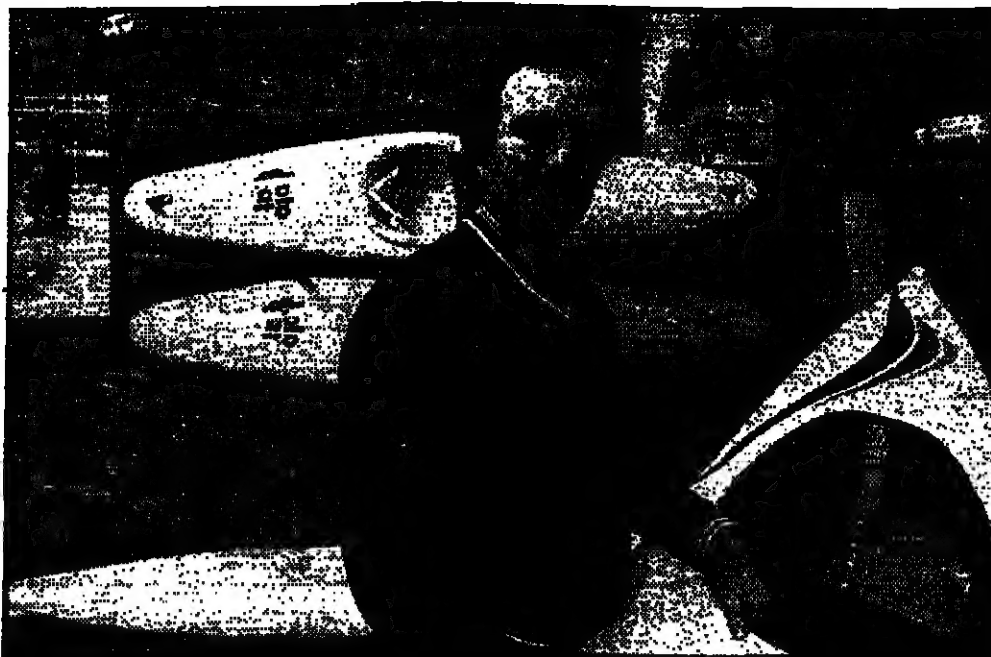
The accountants, in contrast, see management consultancy as a natural extension of their existing audit and general advisory work with small clients. Not that most accountants would claim that what they provide fits the traditional definition of full-scale consultancy work.

"A consultant can recognise a six-month assignment to a government department as worth taking on," says Mr Colin Wright, partner in charge of business services at accountants Peat Marwick, McLintock. "We might spend one or two hours kicking an idea around with a client or an afternoon or two helping him lay out a new production line in his factory."

He characterises assignments of this type as "quick and dirty projects". "I'll sell a lot of general advice and work with people for a day or two to get their ideas straight," says Mr Nick Pasricha, partner in charge of small firms at accountants Arthur Young. "The art of dealing with small businesses lies in breaking down the advice into small, manageable packages, so the client can relate to it and afford to pay for it, the accountants say."

This means recruiting and training staff to meet the small firms' needs. Staff with a financial background are trained as generalists who can help with the broad range of small business problems. They are backed up by small numbers of specialists if more detailed advice is required.

While accountants' fees are lower than those charged by management consultants, they must still persuade the small business that their advice is worth paying several hundred



Graham Mackintosh, managing director of Pyramus Mouldings, a Buncorn-based company with £1m of turnover, reckons advice he received under the Government's marketing support scheme helped him recently win an Army order for 1,000 of his polystyrene canoes. Mr Mackintosh says he was advised to split

his products into professional and amateur ranges; to give the two ranges different names; and to price accordingly. To win the Army contract Mr Mackintosh highlighted the special safety features of his more expensive range. The company paid £1,440 for the advice of a consultant who specialised in the marine industry.

pounds for.

To give maximum value for money, Peat aims to crack 95 per cent of the problem in a fraction of the time it would take to go on and polish the remaining 5 per cent, says Mr Wright.

"What is it worth to the businessman to define his problem and make it go away?" he says. "It is worth paying a few hundred pounds to solve a problem which has taken on a dimension out of proportion to its merits and led to sleepless nights."

Small clients are generally charged in the same way as large ones - on a time basis - though Arthur Young says it is moving towards payment by results. "If there is no strong conclusion as a result of our advice, we wouldn't charge as much," says Mr Pasricha.

Requests from small businesses for advice about technology are frequent. "We have noticed a dramatic increase in the use of technology by small firms," says Mr Michael Granger, partner in charge of management consultancy at accountants Stoy Hayward. "Small companies are taking advantage of micro-computer-based networks to install things like advanced telephone systems. It's surprising because you would think they would have limited budgets."

PA says it too is surprised by

the frequency with which its technology division is called in by small companies to speed up the development of new products. The advantage of bringing a product more rapidly to market can more than offset the extra cost of calling in a consultant, says Mr Thornton.

Recruitment and executive search is also a common area for consultancy. Growing small firms will need to strengthen their management teams but lack the skills to do it themselves. Recruiting a financial controller or a finance director becomes necessary for the small firm which has previously depended on an outside accountant or its own managing director to crunch through the figures.

Expanding small firms may be too small to be of interest to the venture capital funds. They often turn to consultants to help them bridge the "equity gap" for amounts below £250,000. And advice is frequently sought on marketing: small firms often need help to identify and attack new markets.

Despite growing evidence that small firms have an appetite for management consultancy services, the rate of growth will depend very much on the continuation of government subsidised schemes like the one introduced last September for marketing advice.

The decision last April to drop the Productivity element of the Business and Technology Advisory Services support scheme, which helped firms with technical innovation, has had a major impact on the use of consultants, says Mr Granger. Stoy Hayward was helping 50 small firms a year under this scheme but expects numbers to drop off because small companies cannot afford to meet the full bill without subsidy.

Inbucon, one of the larger management consultancies, helps small firms in Scotland under a scheme subsidised by the Highlands and Islands Development Board. Mr Dennis Henry, Inbucon's Scottish regional director, agrees that such small projects would not be attractive to his organisation but for the backing of the board.

The accountants may be making the running at the moment in signing up small firms' business, but as the small company grows it becomes more able to pay for traditional in-depth consultancy work - whether from the accountancy firms or the traditional consultancies.

"It is a natural transition for them to use mainstream consultancy," says Mr Pasricha. "They have already made what is the big jump for many small businesses by calling in an outside adviser in the first place."

Charles Batchelor

## Recruitment consultants

## Counting the heads

WORLDWIDE, consultants have a reputation for looking on the bright side even when the portents are less than propitious. "When you ask them how's business," says Jim Kennedy, US publisher of Consultants' News and long-time observer of the international consultancy trade, "they typically say: 'Fine! But we're not worried.'"

Those in the UK, however, at present seem to have no need to force themselves to be optimistic. For the omens suggest that consultancy services can look forward to buoyant demand.

One such sign lies in the counts of advertised job openings for managers and high-grade specialist workers which are made every three months by the MSL International consultancy, now part of Saatchi and Saatchi. Since the counts began in 1989 they have indicated that UK demand for executives and top specialists moves in cycles: a continued rise over about four years is followed by an unbroken drop over a similar length of time.

As the most recent continued upswing gave way to a fall in mid-1985, MSL's trend-watchers were gloomily predicting that the market would keep declining until 1989. But during January-March this year the demand unexpectedly broke the cyclical pattern by turning up, and did the same surprising thing again in April-June.

Unfortunately, the bounce-back did not bode improved job-getting prospects for all managers and specialists. Demand for most categories of them had continued to fall as expected. The upturn was due entirely to increased recruitment of just two broad types.

One was finance and accountancy staff who were wanted by employers in a wide variety of industries. This was presumably to replace financial people lured by princely rewards to work in the City in the wake of the accountants' "Big Bang". The other group enjoying increased demand consisted of a miscellany of specialists such as operational researchers and corporate planners. Almost without exception, they were being sought by consultancies.

The consultancy trade is gaining from a desire by companies, especially successful new ventures, to keep down the numbers of permanent staff. There is a growing tendency to employ full-time only the minimum of people directly needed to provide and sell the company's

products, and to manage those central activities profitably. Other operations now tend to be subcontracted to part-timers or, where expertise of a professional level is required, to external consultants.

The specialist field in which there is the firmest evidence of the trend to subcontracting is personnel work. A research study, based on questionnaires completed by people responsible for such work in 350 British businesses and public-sector concerns, was recently published by the Institute of Personnel Management.

The study found that reliance on external consultants for personnel services "is substantial and increasing" in all types and sizes of organisations. Moreover, the farming-out was mainly growing not in the odds and ends of personnel work, but in key activities such as recruitment, selection, and training.

In recruitment and selection, in particular, the use of consultants may well be even greater than the study indicated. Follow-ups showed that when the 350 organisations' in-house personnel staff were asked to list tasks that had been subcontracted, they tended to forget about farmed-out work that was done largely away from their organisation's own premises.

The recruitment branch of consultancy is no simple thing. Some members of the branch work exclusively by offering posts to all-comers through advertisements; some confine their approaches to individuals previously identified as likely to fit the job; others use both methods.

There are sub-divisions, too. One type of advertising-based operator only designs and places the ads, collects the replies, and sends them to the client employer to be sifted. Another type goes farther, winnowing down to a short-list of evidently suitable people.

The "retainer" searchers specialising in the individual approach method also come in different strains. "Retainer" searchers insist on a handsome sum in return just for seeking candidates, or a small part of the charge being dependent on their successfully filling the job. The "contingency" variety will accept payment solely on results.

Nobody knows for sure which of the two main types - advertising-based or search operators - is doing the better out of the growth in subcontracting. But

the Institute of Personnel Management's report indicates that the use of search is concentrated more heavily than the advertising method on recruiting for higher-level jobs.

What appears certain is that employers are tending to keep all types of external recruiters on a tighter rein than search specialists, at least, were in previous years. The days are going when searchers could expect to be personally appointed by the chief executives of client organisations, and thereafter report to the very top.

The Institute's study shows that there is emerging a new breed of in-company heads of personnel who, unlike their predecessors, see their specialist responsibilities as secondary to their role as business managers. They are consequently loath to risk broadening themselves politically in their organisations by surrendering power over senior-level recruitment.

As one of the new breed who took part in the study observed: "Consultants can take over your role. They can come into the company and make contact with your managing director... and you can lose control if you're not careful."

But if the subcontracting trend causes in-house personnel bosses to work less as specialist experts than as chief buyers of external services, they will surely need more than political skill to ensure that their company shops wisely on the outside market.

They will have to be sensitive to aware of which broad approach is best suited to recruiting for a particular job. They will also need to consider the numerous detailed selection methods that are available for use within the broad approach, and of the likely effectiveness of the many different consultants who can be hired to use them.

Given the complexity and variability of the external market, we may even see a further development - companies filling their top personnel jobs from the ranks of recruitment consultants. After all, it has often been said that nobody makes a better gamekeeper than a former poacher.

\* The changing nature of personnel management, by L. Mackay and D. Terrington. IFM (Camp Road, London SW19 4UW), £26.

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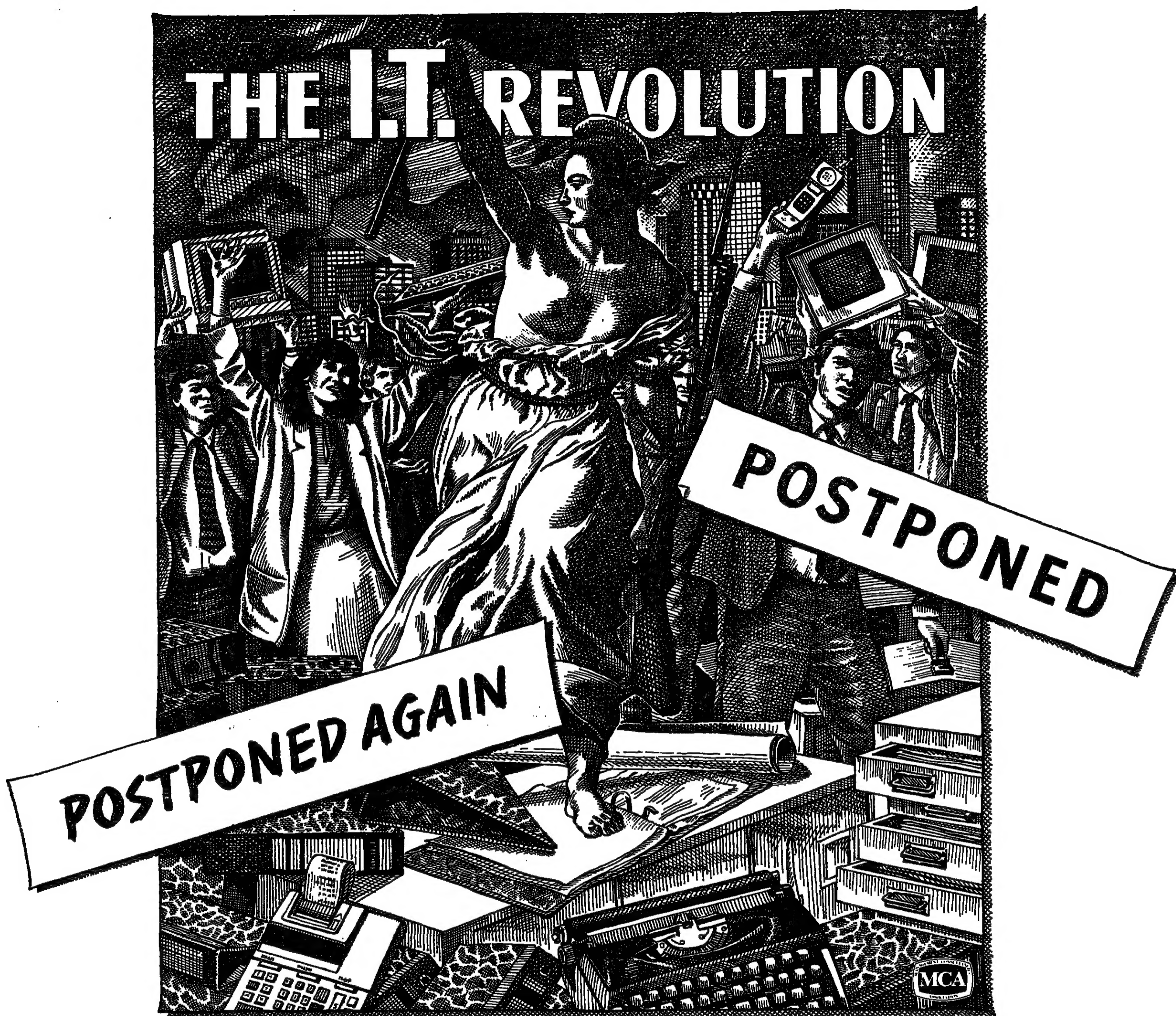
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## MANAGEMENT CONSULTANCY 6

## US consulting

## Eat or be eaten

DR DANIEL YERGIN STARTED Cambridge Energy Research Associates (Cera) in 1982 after oil prices had peaked, he recalled, "there was a sense that Opec would hold things together". Since then, the Massachusetts-based consulting group has seen oil prices plunge but its own business burgeon from an initial staff of 2 to 35 today.

Though oil lost its focus as the primary factor in international trade and economics, Dr Yergin has positioned Cera to advise financial institutions and industrial corporations as well as oil companies. As he says, energy prices are "interconnected with the strategic planning any company has to do".

Cera produces reports for James Capel in London and management consultants Arthur Andersen, as well as publishing for clients its own quarterly World Oil and Natural Gas Watchers, Private Reports and Decision Briefs.

While still very much concentrating on the energy sector, Dr Yergin has also advised Japanese companies on how to make direct investment in America without friction, an issue that goes beyond, but also includes, energy.

Seeing opportunities as extensions of existing business may be an area management consultants tell clients about, but it is also an important aspect of their own futures. Management consulting has slowed its overall income growth to about 15 per cent a year, according to James H. Kennedy, the editor and publisher of Consulting News, the industry newsletter.

Growth has tended to come recently from acquisition, which puts American consulting groups in a predatory phase of eat or be eaten. Rodman L. Drake, managing director of Cresap, McCormick and Paget, a division of the second largest consulting group, Towers Perrin, Forster & Crosby, says: "There will be two or three major companies in our area of advising top management and we intend to be one of them."

With Tower Perrin's financial strength behind it Cresap has doubled in size in the past five years, buying consultants in Toronto, for instance, to open a Canadian practice. Towers' parent, which specialises in advising on pensions, employee benefits and insurance, has itself grown steadily to the point where it follows only Arthur Andersen as the largest American consulting group, with revenues in 1986 of \$380m compared

with Andersen's \$635m.

One of Cresap's major areas of growth has been in corporate restructuring and slimming-down. What a corporation may do under pressure of takeover through investment bankers' quick redeployment of assets, a management consultant will try to achieve in several months, using the commitment of a corporate chief executive instead of a predator's threat.

Running up to half-a-dozen such programmes at a time, Cresap has combined acquisitions with internal expansion, thanks in part to the time-consuming and personnel-consuming restructuring work. These three-to-six month assignments use as many as half a dozen Cresap consultants working full time as part of a client's restructuring programme. Cresap sets up task forces it participates in, but insists the client puts its own personnel in as well.

### Supermarkets increasingly have on-premises baking and delicatessen counters fighting packaged goods which grab added value

Major corporate restructurings may seem particularly suited to the co-operative approach, where only an insider would know which employees to keep, retrain or let go. But even in the logistics field, the once-unglamorous area of warehousing, delivery and physical distribution, consultants insist on teamwork with the client.

Jim Spira, president of Cleveland Consulting Associates (CCA), which specialises in physical distribution, says: "We don't work as 'outside experts' who come in, do a job and then leave the clients with a thick report of recommendations they lack the resources to act upon. Instead, our people and the clients' staff work together, from the early problem-definition phase right through to implementation of long-term business and technical solutions."

CCA, a 13-year-old Ohio-based consultancy with a staff of 70, has become part of the field's consolidation, having been bought earlier this year by Saatchi & Saatchi. The Saatchi interest also reflects a growing concentration on, and new recognition of, the importance

of logistics in matching suppliers and customers.

The field ranges from drug distributors that now let retail druggists type orders direct into their warehouses via computer, to routing deliveries through crowded streets in the most efficient way. These advances in logistics depend on computers, but Robert Munro of AT Kearny claims that sometimes the best logistics use low-tech solutions.

Jim Kennedy of Consulting News notes that the consulting field has "come full circle, returning now to an emphasis on production and manufacturing, where consulting began in the 1920s". Having passed through phases of advising on marketing, strategic planning and market share, consultants now are improving efficiency.

For logistics, the Japanese "just-in-time" method of distribution began a rethinking of the field that has now been extended to cover a company's whole approach to customers and suppliers. Deregulation of the American trucking industry in 1980 also encouraged a rethink that increasingly sees customers expecting delivery at precise times in the day.

Robert E. Sabath, vice president and director of the logistics practice at AT Kearny, notes that his work for clients often begins by surveying their customers "to define the service required. We find that the customers usually want less costly but also differently-arranged services. That then backs into questions of types of products, volumes, cycle time, order, ship, packing, equipment and procedures."

He sees in the supermarket and packaged food businesses the makings of a major "turf battle" over who gets the added value. Supermarkets increasingly have on-premises baking and delicatessen counters fighting packaged goods which grab added value with whole meals in a container.

Management Horizons, a consulting division of accountants Price Waterhouse, is helping retailers apply Direct Product Profitability as a more sophisticated form of cost management. Retailing has become the focus of much of the recent work because of the continuing proliferation of products. This underlines the move to manufacturing and production consulting, as the field consolidates and goes back to basics.

Frank Lipsitz

## Financial services

## Demand for strategy

THE UPHEAVAL in the financial services world has left consulting firms turning away work. There are relatively few that are recognised specialists in the market - and outsiders will find it hard to establish their credentials.

"I think the demand is there to support another rival or two," says Mr Norman Bernard, a partner with Booz Allen, which is still enjoying the boom, despite the well-publicised loss of a number of its specialists. "We turn a lot of the smaller jobs away," agrees Mr Vernon Ellis, head of Arthur Andersen's UK consulting operations.

McKinsey, Booz Allen and Boston Consulting Group are the recognised leaders in the market. The large accountancy firms and systems houses, share through their systems expertise.

"They are the plumbers and the mechanics, not the architects," says Mr Chris Batt, one of those who defected from Booz. It is an image that the accountants are trying to fight off.

Ironically, Mr Batt is himself now with accountants Spicer & Pegler, though the firm's approach to financial services consulting is poles apart from other firms.

Strategic advice has been greatly in demand. The convergence of commercial banking, securities dealing and advisory services in a number of centres has forced every provider of financial services to take a fresh look at where they are heading.

The signs are that the thinking behind the rapid growth of some financial services businesses in recent years was not right. The merger of British merchant bank Hill Samuel with the TSB banking group was an admission that Hill Samuel had been wrong to try to build a full-service securities and banking operation.

Others have pulled out of certain markets in the face of extreme competition. At one end of the scale, Lloyds Bank abandoned its European business in London, while at the other, the giant Salomon Brothers announced that it would pull out of a number of the US's cut-throat debt markets as part of a refocusing of its operations.

Observers are now waiting to see which institution will be next to swallow its pride and admit it was wrong.

London is the favoured location for such an announcement: the rapidly with which the City's stockbrokers and traders were snapped up when bars on

ownership were lifted in April 1986, suggests that too few buyers thought through their strategies, say the consultants. According to Mr Alan Morgan, head of McKinsey's UK financial services practice, the second wave of the City's restructuring is just getting under way.

Needless to say, the consultants are coy about taking any blame for the strategic mistakes. More use of their services, rather than less, would have prevented some of the bust-ups, they say. "It strikes me that some of the players didn't use consultants, didn't think it through, didn't learn from the US experience," says Mr Bernard.

As a result, most British institutions will find themselves caught between two stools, he says. They are not large enough to take on their international competitors, but too broad in their scope to carve out any strong niches.

They have a tough decision to make: to strip themselves of the unnecessary parts of their business, concentrating on their strengths, or to find a larger partner. "It is a decision that comes very hard to managers," says Mr Bernard. "I think we will see many more of these heart-searching decisions being made."

Strategic work leads naturally to advising about how institutions should be organised and how they should operate. The "strategy" consultants look to these areas for much of their work. In one of the few such jobs to become public, Spicer & Pegler was called in by Morgan Grenfell at the beginning of the year, to sort out the bank's organisation and operations following a succession of scandals.

At the opposite end of the consulting spectrum, the systems demands imposed by the changes in the financial services industry has given the accountants plenty to get their teeth into. While the wholesale banks integrate their international networks and grapple with the reporting problems of new financial instruments, the retail banks are learning new techniques as retail financial services become increasingly competitive.

London's upheaval in the past 18 months has produced "an enormous effort" by the systems experts, says Mr Vernon Ellis, head of the London operation of Arthur Andersen, the largest consultancy in this area.

But the work is far from over. Many systems were put in place "very, very quickly" - giving rise to immense teething problems in some cases, says Mr Ellis. Around 40 per cent of Andersen's business is in the financial services sector.

Andersen is using its systems base to expand into other consultancy markets. Creating global management information systems, for instance, gives the firm a say in the wider issues of planning and strategy, says Mr Ellis.

Information technology is moving out of the back offices of financial institutions and now directly affects dealers and top management. "It raises some profound questions of organisational change," says Mr Ellis.

Andersen is following the software out of the backroom. As much as a half of the firm's work involves more than information technology, he says. In another development, Andersen now offers to run computer facilities for clients. It claims at least one major banking client for which it is running all computing operations, pending the bank's move to new offices.

supply of consultants, head-hunting is becoming rife. Spicer & Pegler, the accounting firm, gave the market a new dimension earlier this year when it acquired a team of eight consultants from Booz Allen, including the head of its European operations, Mr Chris Batt.

Booz, which claims it lost only four consultants, says it is unaffected by the loss. "We are billing more and doing a wider range of work for more institutions than when Chris was here," says Mr Bernard - though he admits that Batt's departure gave Booz some worries at the time.

The demand for consultancy services is giving rise to a number of specialist consulting operations, of which Spicer's is the most prominent to date. It has set up a separate subsidiary, known as Spicer & Oppenheimer Consultants (the Oppenheimer tag is used by Spicer's international accounting group).

Under Mr Batt, it plans to grow a small specialist team operating in the main financial centres. It will ship staff around the world, rather than seek to build domestic strength in each centre. Finance is an "amazingly



Vernon Ellis: turning away some smaller jobs

ly homogenous industry," says Mr Batt.

S&O plans to grow its 40 staff to 100 in its three existing offices in London, Hong Kong and Singapore. New York and possibly Tokyo are the next targets.

But it plans never to employ more than 200 consultants. "If you get any bigger than that, you start to dilute the quality of work you do. The whole place becomes more monolithic and a lot less fun."

The firm plans to exploit what it calls the "European/Asian axis". The worldwide dominance of US consulting firms is not always in clients' interests, it believes. There is scope for a rival, European-based firm.

Mr Batt believes that the specialists are here to stay. He says of his competitors that "they have all lost their way. The era of the generalist is dead. To be pre-eminent, you have to focus."

Firms like McKinsey are unlikely to admit defeat so soon. Competitors need to establish "an ongoing bank of satisfied clients," says Mr Morgan. Until they have done that, and have gone through their own growing pains, they will be unable to challenge the established experts.

Richard Waters



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